

# FINANCIAL TIMES

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Electronics: why Europe is so rattled, Page 18

World news Business summary

## Teargas fired on Soweto rioters

South African police fired teargas and rubber bullets at rioters in the black township of Soweto, near Johannesburg, as a crowd of about 500 people stoned a milk lorry and a smaller group stoned passing vehicles.

The incidents took place as police claimed a lower level of violence in the troubled Eastern Cape after a raid by police and army on the township of Kwanobuhle at the weekend in which 29 people were arrested.

A nine-hour search-and-arrest operation in the town was aimed at "radical political and terrorist elements" that Deputy Minister of Law and Order Adrian Vlok said were "instigators of the unrest".

**Denktash support**  
Turkish Cypriots have overwhelmingly approved a separate constitution for their breakaway state but their leader, Mr Rauf Denktash, said the move would not harm talks to reunite the island. Page 3

**Gemayel meets army**  
Lebanon's President Amin Gemayel met army commanders to discuss ways of ending factional fighting, as the country's Maronite Christian patriarch flew to Rome to ask the Pope to launch a peace plan. Page 4

**Geneva talks**  
Soviet leader Mikhail Gorbachev said he was still "soberly optimistic" about the chances of success at the Geneva arms control talks with the U.S. despite a "complex and tense situation in the world."

**Jets for Thailand**  
U.S. Congress gave final approval to Thailand's plan to acquire 12 F16 A-100 advanced jet fighter aircraft to counter the presence of Soviet-built MIG-23 jets in Vietnam.

**Ariane launch**  
French-led Ariane space consortium is due to launch Ariane-3 with two communications satellites to night from French Guiana.

**U.S. helicopter lost**  
U.S. military helicopter with 17 on board crashed off southern Japan en route to Okinawa. No survivors have been found.

**French jail riots**  
French prison authorities said two days of rioting at a high-security jail had been stirred up by inmate members of the Action Directe urban guerrilla group and other political activists.

**Soviet generals die**  
An undisclosed number of Soviet air force officers, including a regional commander, his deputy and another general, have been killed "in the line of duty," according to the armed forces newspaper Krasnaya Zvezda.

**Mercenary freed**  
Mercenary leader Colonel Michael "Mad Mike" Hoare was released from a South African prison under an amnesty after serving less than three years of a 10-year sentence for hijacking a plane to Durban in 1982 following an abortive attempt to topple the Seychelles Government.

**Epidemic deaths**  
UK health authorities believe an outbreak of Legionnaires Disease, which has killed 30 people in the Midlands, has passed its peak and that the suspected source of the infection, Stafford General Hospital, is now safe.

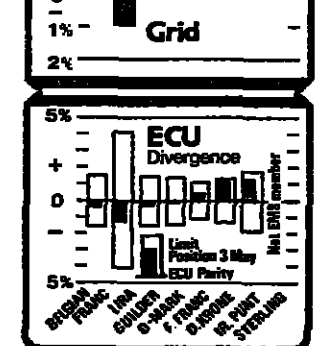
**Buenos Aires fires**  
A series of explosions at four Buenos Aires gunpowder and ammunition warehouses of the state-owned group Fabricaciones Militares injured four people.

## UK broker to seek banking powers

**STOCKBROKER** Phillips & Drew has applied to the Bank of England for a licence to take deposits, which would make it the first such firm to enter the banking business in its own right. Page 20

**WALL STREET** The Dow Jones industrial average closed up 0.55 at 1,247.78. Section IV

**EUROPEAN Monetary System** European currencies were slightly weaker overall after a quiet week. Continued on Page 20



rency trading was reduced because of May Day holidays. The Belgian franc was the weakest member bound by the narrower 2% per cent divergence band but it was comfortably within its divergence limit. Other currencies were a little weaker, reflecting a recovery by sterling from the previous week. The Irish punt was the strongest placed currency, followed by the Danish krone.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

**LONDON** and Tokyo stock markets were closed yesterday for public holidays.

**BRITAIN** has moved to increase competition on lucrative air routes between the UK and Singapore, despite protests from British Airways.

**RENAULT**, French motor group, is negotiating with the Spanish Government to find ways of easing the burden on its loss-making truck manufacturing in Spain. Page 24

**VALEO**, troubled French car components manufacturer, will increase its capital by FFr 331m (\$28.3m) through the issue of 1.84m new shares as part of a financial package bringing in FFr 600m in fresh funds. Page 24

**BROWN BOVERI** of West Germany, Swiss-controlled electrical group, expects increased sales and orders this year after an encouraging first-quarter. Page 21

**CGE**, French nationalised electronics and engineering conglomerate, has bought Celwave Technologies, a U.S. cables company. Page 21

**ALLIS-CHALMERS**, struggling U.S. farm equipment manufacturer, suffered sharply higher losses of \$3.70 a share, compared with \$1.31, in the first quarter. Page 25

**ITALTEL**, Italian state-controlled telecommunications maker, more than doubled profits for 1984 to L25.2bn (\$12.5m) compared with L10bn the previous year. Page 21

**TAIWAN** automotive group Yue-long plans to export components and eventually complete vehicles if the government approves a 25 per cent equity investment by Nissan, the Japanese car manufacturer. Page 25

**ENTERPRISE OIL** of the UK is likely to increase its £150m, 64-year borrowing in the Euromarkets following the deal's oversubscription. Page 21

## Reagan leaves West Germany on a hopeful note

BY REGINALD DALE, U.S. EDITOR, IN RAMSTEIN

A RELAXED-LOOKING President Ronald Reagan yesterday sought to give an uplifting note to the final day of his controversial trip to West Germany, rejecting Euro-pessimism as nonsense and looking ahead to a bright, new, free world defended by the non-nuclear technologies of his star wars initiative.

Halfway through his ten-day European tour, Mr Reagan set out for Madrid, after a speech to an enthusiastic audience of young Germans at Hamburg Castle, in which he praised European resilience and the values that Europe had given to America and the world.

"It is Europe that has known more tragedy and triumph than any place else in history. Each time you suffered, you sprang back," he said. It was nonsense to be gloom about Europe's future.

While still facing the threat of anti-American protests in Madrid, Mr Reagan's scorecard was showing both gains and losses at the halfway stage of his trip. He failed to achieve his main economic objective - a date for a new round of international trade talks - at the weekend economic summit in Bonn.

But his restrained and moving performance at the Bergen-Belsen concentration camp and the Bitburg war cemetery on Sunday will almost certainly have helped to calm the uproar that his Bitburg visit has caused in the U.S. during the last three weeks. He went to the cemetery for a total of eight minutes, symbolically laid a wreath and the world did not stop turning.

The event was not marred by the massive Jewish demonstrations and clashes with the German police that had been feared. The White House now hopes that the outcry, mainly from American Jewish groups, will subside, and that if the

visit is being remembered, it will be for Mr Reagan's courage in sticking to his guns and doing with dignity what he thought was right.

In Bergen-Belsen, Mr Reagan delivered, at the pace of a funeral march, a speech that, if it was not the Gettysburg Address, at least seemed to rise to the occasion. His theme was that out of the greatest of all evils could come hope, healing and redemption. Again absolving the German people from collective guilt, he attributed that evil to one man.

At the Bitburg cemetery, the surprise highlight was provided by a solemn handshake between two battle-scarred old enemies - General Johannes Steinhoff, the disgraced 71-year-old German World War II air combat ace, and General Matthew Ridgway, the 90-year-old American hero of Normandy and the Ardennes. It was moving, but

after all the fuss, almost anticlimactic.

But if Mr Reagan may now be off the Bitburg hook, his trip has by no means been the smooth ride that the White House originally hoped for. Thanks to the flamboyant intransigence of French President Francois Mitterrand, the Bonn summit turned into an American exercise in damage control, and some of the damage could not be hidden.

While the U.S. Senate back home was blowing holes in his budgetary strategy, on the banks of the Rhine, Mitterrand destroyed his trade strategy. The defeat was the more severe in that Mr Reagan's advisers had allowed him to go far on a limb with his demand for a date for the trade talks - a date that an increasingly angry Mitterrand was simply not prepared to concede.

At issue, in French eyes, was not so much the trade talks themselves - nobody, not even Mitterrand, is saying that they will not eventually take place - but the whole way the West takes its decisions.

Once again, the French made clear that the whole world should not be run by the seven-nation summit, and that the summits themselves should not be allowed to become an American-dominated club.

That deep-felt French conviction combined with Mitterrand's need to rally political support at home to produce a virtuoso outburst of Gallic independence that Mr Reagan was powerless to control. Mitterrand's point - that France cannot be taken for granted - was not meant to be limited to the trade talks, and was addressed as much to French domestic opinion as it was to Mr Reagan.

Mr Reagan was also operating on two levels. He wanted a date for the trade talks to help him to resist protectionist pressure in Congress. And he wanted a summit success to show that his leadership qualities, and his credibility, had not been too badly dented by the Bitburg affair, and his recent defeats in Congress, most notably on Nicaragua.

But Nicaragua returned to haunt him at the summit, thanks to his ill-judged decision to make the announcement of U.S. economic sanctions his first act on arriving in Europe last week. Mr Reagan succeeded in partly defusing the issue by making it clear that he was in no way seeking his partners' support, but he could not silence the criticism.

Mr Reagan ducked a potentially Continued on Page 20

## Murdoch pays \$2bn for seven U.S. TV stations

BY TERRY DODSWORTH IN NEW YORK

MR RUPERT Murdoch, the Australian publisher whose business empire spans the globe, reached agreement yesterday on a \$2bn deal for seven of the biggest TV stations in the U.S., one of which will be resold to the Hearst publishing group for \$450m.

The agreement was announced after a day of final negotiations between Mr Murdoch and Mr John Kluge, chairman of Metromedia, the New Jersey-based, privately held broadcasting group, who have been muddled in talks in New York's Waldorf Towers over the last few days.

Yesterday's negotiations tied up an agreement under which Metromedia will sell stations in New York, Los Angeles, Chicago, Washington, Dallas, Fort Worth and Houston to 20th Century Fox, the Hollywood film studio.

Mr Murdoch's Australian holding company, News Corporation, in which he has a 49 per cent stake, recently bought a half share in Fox from Mr Marvin Davis, the Texas oil billionaire, for \$250m.

Over the weekend it emerged that Mr Murdoch, who has offered to give up his Australian passport and become an American citizen to meet U.S. federal rules on television station ownership, might be forced to restructure his rapidly expanding U.S. and overseas activities as a result of the deal.

Among the prospects facing the media entrepreneur is the possibility that if he gives up his Australian citizenship, the Canberra Broadcasting authorities will force him to divest his television interests in his home country because of similar rules on foreign ownership.

According to reports, Australian

## Springer to place 49% of equity

By Rupert Cornwell in Rome

AXEL SPRINGER, the largest West German publishing house, has ended speculation over its future by announcing that it plans to make a public placement of 49 per cent of its shares through the Deutsche Bank, the country's biggest commercial bank.

The step, which apparently has the prior tacit blessing of the Federal Cartel Office in Berlin, would seem to rule out once and for all any idea of Springer's merging with another publishing concern. Such attempts have been in the past blocked by the Office.

Springer gave no clue on the timing of the placement, but emphasised it did not have an immediate stock market quotation in mind. The shares to be issued moreover would be "registered shares", meaning that they could not be passed on without the previous consent of Springer's board.

That means that the final word on Springer's policy, both editorial and financial, will rest with the existing master company of the group, Axel Springer Gesellschaft für Publizistik KG of Berlin - and in effect with Herr Axel Springer who founded his empire in 1948 from scratch and built it up to a newspaper and publishing concern with 1983 sales of DM 2.4bn (\$778m).

Should the project go through, the Springer family will retain a 28.1 per cent stake, while Burda, another publishing house, will retain the 24.9 per cent it purchased at the start of 1983.

However, some observers were last night predicting that the structure of the group would be changed, so that the interests of Springer and Burda would be held not through Gesellschaft für Publizistik but directly in the DM 115m capital of the operating subsidiary Axel Springer Verlag AG.

The share placement is in the company's words designed to "protect the future of the group". That

## Mobil retail shake-up to cost \$500m

BY WILLIAM HALL IN NEW YORK

MOBIL Corporation, the second biggest U.S. oil company, is to dispose of Montgomery Ward, the giant U.S. retailing group, and is taking a \$500m write-off to cover the restructuring of the nationwide store group.

The move is the latest sign of the extensive restructuring now under way in the U.S. oil industry where both big and small companies are being buffeted by declining demand and overcapacity and face increasing pressure to improve their financial returns. Mobil, which earned 9.2 per cent on its equity last year, is one of the least profitable U.S. oil majors.

Mobil announced a series of moves yesterday to reshape Montgomery Ward into a business which can "operate as an independent, free-standing, profitable retail company without Mobil ownership or financial guarantees." The company refused to speculate on whether this would involve the outright sale of a slimmed-down Montgomery Ward, or a distribution of shares in the company to Mobil shareholders.

Mr Rawleigh Warner, Mobil's chairman, said yesterday that he was convinced that maximum value to Mobil's shareholders could be achieved by making Ward an independent operation. He outlined a number of steps that were being taken.

Mr Bernard F. Brennan, a former senior executive of Montgomery Ward, has been rehired to fill

## Brussels confident for new trade talks

By Max Wilkinson, Economics Correspondent, in London

OFFICIALS at the European Commission headquarters in Brussels were optimistic this weekend that a new round of trade talks could get under way next year, in spite of the deadlock reached by the seven summit powers in Bonn on Saturday.

The summit failed to give the push that the U.S. had wanted for a new round of talks under the General Agreement on Tariffs and Trade (GATT) because of refusal by French President M. Francois Mitterrand to agree a starting date early next year.

However, officials in Brussels were emphasising that Mitterrand's flamboyant and nationalistic words in a press conference after the summit did not reflect his private negotiating stance.

They felt his stand at the summit might have been for domestic consumption and did not represent as much of a setback to trade talks as had appeared.

His private negotiating stance was not out of line with that agreed by ministers on March 19, say officials. This accepts that protection of agriculture must be part of negotiations, though it seeks safeguards for Europe's Common Agricultural Policy.

The French President rejected a compromise proposal by EEC president M. Jacques Delors that the summit should propose a Gatt ministerial meeting in the spring of

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OVERSEAS NEWS

FT correspondents report on the outcome of the Bonn summit and assess its implications for the French and West German leaders

How France's 'non' on trade talks stole the show

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

M. FRANÇOIS MITTERRAND'S centre stage "non" on the last day of the Bonn summit has obscured the fact that the world's industrial leaders had three important issues before them, not one. Apart from tedious word-splitting on the subject of a date for a new round of trade negotiations, the other issues were no less than the reform of the world's monetary system and how to avoid a recession which might plunge Europe into a deeper employment crisis.

The monetary question was in effect shelved until after finance ministers of the 16 major industrial countries complete their study of ways to moderate the rate of growth and bring their policies more into line.

On the second question, of how to keep the momentum of growth going, the U.S. dropped all idea of urging restraint or

tax cuts on some of its partners. So the leaders of the seven major powers were left with a steady-as-you-go policy of cutting inflation and curbing deficits, plus a longer term attack on "structural rigidities". It was not surprising therefore that all eyes were turned onto the trade question. As it turned out, the French President stole the show and the headlines, as he intended, with a series of confusingly different reasons for not agreeing that a new round of trade talks must start next year.

The dramatic tension of negotiations running well into the small hours produced just the kind of headlines he needed back home to boost his falling popularity. The heroic brevity of Le Monde's "Mitterrand says 'non'" for example, enabled him to claim in a highly rhetorical press conference that "to be

isolated in Bonn is not to be isolated in the world". He added: "I am sure that I am defending a just cause."

His cause, it emerged, was essentially the protection of French farmers from the competition of other more efficient producers, particularly in the U.S. At one time it had seemed that French objections centred on the need for a formal linkage between monetary reform and progress on trade talks, but that was hardly an issue at this summit.

As a French spokesman explained, France does not want to be bounced into a new round of talks under the General Agreement on Tariffs and Trade only to find that agriculture and Europe's Common Agriculture Policy (CAP) have been pushed right to the top of the agenda. Hence the French insistence, with some support from M

Jacques Delors, the EEC President, that the trade negotiations must be carefully prepared, even if that means delay. In effect they want the protection of services, technology and harmonisation of international standards to be equally in the firing line.

Even so, M. Mitterrand's objections did not seem consistent with his ringing declaration that protectionism must be opposed, particularly in view of the U.S. appeal for moral support in its battle to stop Congress pushing through a 20 per cent import surcharge.

In public M. Mitterrand just brushed this aside, saying it wasn't his concern to protect other countries against themselves. He did concede that preparatory work would go ahead and that "it could even lead to a new round in 1986, who knows?"

France is not the only country with worries about its agriculture. Japan, for example, is even more highly protected in this sector, while the U.S., which is pushing hardest in this direction, has the protection of its own dairy farmers to consider.

In private M. Mitterrand has accepted that agriculture must be a subject for negotiations. Conversely, other countries agree that the Third World countries must be persuaded to go along with a new Gatt round.

As with disarmament, everyone agrees on the need for talks but no-one is keen to make the first concessions. So the French objections—and those of Third World countries at the World Bank's Development Committee in Washington last month—have been essentially as a negotiating skirmish in

Mitterrand discovers lukewarm support for defying Reagan

BY DAVID HOUSEGO IN PARIS

PRESIDENT MITTERRAND returned from the Bonn summit to find lukewarm domestic support for his defiance of President Reagan over both the opening of the trade negotiations and the French refusal to participate in the Strategic Defence Initiative (SDI).

In a radio interview yesterday morning, M. Jacques Delors, the President of the European Commission, claimed that any French president of whatever political colouring, would have taken the same course of action. Supporting this view of a consensus has been the virtual silence of the Opposition to the summit and the restrained approval of the French press—notwithstanding some expressions of concern.

Senior officials recognise, however, that the immediate cost of M. Mitterrand's assertion of "European autonomy" has been to convey to the world an impression of Europe's role in the Franco-German axis. In the sense that M. Mitterrand has projected himself as a protagonist of European collaboration, and of strong Franco-German ties, the potentially damaging to his domestic political image.

On French opposition to naming a date for a new trade round, officials make clear that two factors were uppermost in

M. Mitterrand's mind. The first was that without a prior agreement on an agenda, the main result of the negotiations could be to "put at risk" the Community's agricultural policy from which France is the principal beneficiary. The French believe that the focus of a U.S. attack in the negotiations would be the EEC's system of export subsidies and import levies which enable European farmers to export at world market prices while equally discouraging agricultural imports into the EEC.

In domestic political terms M. Mitterrand cannot afford to leave himself vulnerable to accusations of selling out. French farmers in the run-up to the March Parliamentary elections, without demonstrating that he has received substantial concessions in return.

The other factor that stiffened M. Mitterrand's resolve is what officials call the "insupportable" tactics of the U.S. in presenting other summit participants with a fait accompli. M. Mitterrand was angered both by the American "steamroller" tactics of West Germany which resulted in Chancellor Kohl's public statement of support for the opening of new trade talks as he was also by Mrs Thatcher's reference to monetary reform as "jabberwocky."

West Germany gives Kohl mixed reviews

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S breathless experience of summitry ended yesterday as President Reagan flew off to Spain—leaving in its wake a mixed review for Chancellor Helmut Kohl, and a sour, potentially damaging dispute between Washington and the West German opposition social democratic party (SPD).

The prevailing view of commentators and diplomats is that while President Reagan's state visit, above all his trips to Bergen-Belsen and Birming, was on balance a considerable success for Herr Kohl, the seven nation economic summit here in the middle was most definitely not.

The comparative absence of demonstrations, and the dignity of the ceremonies at the German military cemetery and the former concentration camp site are reckoned to be ample vindication of the Chancellor's determination that they went ahead.

But it remains to be seen whether the boost to Herr Kohl—and the at least temporary eclipse of the hoary



Kohl... his determination was vindicated

eve of the 40th anniversary of the demise of the Third Reich on May 8. For that there is much gratitude to the President.

On the other hand, Bonn was deeply upset by the announcement last Wednesday on West German soil, of the trade embargo by Washington against Nicaragua. The industrial summit, moreover, has only deepened the quandary of the Government over the controversial Strategic Defence Initiative (SDI), by forcing it to choose, in effect, between alignment with the U.S. or France.

On top of this, and of equal medium term danger, is the bitterness of the SPD, after Mr Reagan's failure to make time to meet Herr Willy Brandt, the party's president.

The row, which comes a few days before the key North Rhine-Westphalia state election, has added predictable extra venom to the SPD's criticism of both the summit and President Reagan's visit.

Herr Hans-Jochen Vogel, its parliamentary leader, yesterday accused the Chancellor of clumsily bringing forward the

economic summit close to May 8, for tactical, party political reasons. But the move, he argued, had backfired, by threatening an open split between West Germany and France, its proclaimed special partner in the EEC.

The divisions between Bonn and Paris which the seven nation summit threw up, on both the date of a new General Agreement on Tariffs and Trade (Gatt) round and possible participation in the SDI, have been the most discomforting ingredient of the past few days for Herr Kohl, who has long emphasised the Franco-German relationship as the key to future EEC integration.

In the eyes of many, these differences have merely underlined the realities which lie behind the rhetoric of "European union," as advocated by Herr Kohl. Faced with U.S. pressure, critics say, West Germany can hardly act as one with France.

Bonn attempted yesterday, however, to limit the damage by announcing an unscheduled meeting between the Chancellor and President Mitterrand for an unspecified date later in May.

Gatt Consultative Group to meet next week

BY CHRISTIAN TYLER

THE FATE of international trade negotiations following France's refusal at the Bonn summit to accept a starting date of early next year could depend on a meeting next week of the Consultative Group of 18 leading member nations of the General Agreement on Tariffs and Trade in Geneva.

This body, on which developing countries are represented, has the authority—unlike the summit—to set up the preparatory work on a negotiating agenda.

President Mitterrand's reluctance to see agricultural trade put on to the bargaining table before the National Assembly election in France next year is ironical in view of the fact that of all the trade issues that have been debated in the Gatt for the last two years, liberalisation of world agricultural trade has made most progress.

Despite French misgivings, the EEC has already signed a multinational framework agreement in the Gatt recognising that its Common Agriculture Policy—as well as U.S. farm support policies—constitute a

serious distortion to world markets.

All parties have agreed that efforts should be made to reduce export subsidies.

The countries most anxious to smother trade negotiations round will now be hoping that the French will withdraw their opposition once their negotiations are removed from the full glare of pressure of U.S. policy initiatives.

Protests greet Reagan in Spain

BY DAVID WHITE IN MADRID

PRESIDENT Ronald Reagan arrived in Madrid yesterday afternoon to face vehement left-wing protests and difficult talks on the issues of Central America and U.S.-Spanish defence relations.

The U.S. President's visit to Spain, on the second leg of his European tour which began with the Bonn summit, was heralded by a demonstration on Saturday morning by several hundred thousand people. Marches were organised by pacifists and parties to the left of the ruling Socialists in Madrid, Barcelona, Valencia, Saragossa and other main towns.

The Madrid government of Sr Felipe Gonzalez is anxious for a positive outcome to Mr Reagan's visit, so as not to complicate further its own task in obtaining popular support for keeping Spain's current status as a NATO ally.

The visit, already described by Sr Gonzalez as "delicate," has been made even more so

by the U.S. trade embargo on Nicaragua. Spain is one of the European countries to have most strongly criticised the move, expressing its "acute preoccupation," and warning that it could obstruct the Contadora peace process.

Mr Reagan and Mr George Shultz, the U.S. Secretary of State, are expected to seek Spain's co-operation in trying to bring about talks between the Contras and the Sandinista authorities and their opponents.

The other thorny question during Mr Reagan's 40-hour Spanish trip is Madrid's wish to negotiate cuts at the four U.S. air and naval bases in Spain. Spain's request, a ploy to soften popular opposition to Sr Gonzalez's NATO policy, has met with initial resistance.

Other topics up for discussion are the U.S. strategic defence initiative (Star Wars), on which Madrid has not so far adopted a position, North Africa, the Middle East and Spain's chronic trade deficit with the U.S.

convergence will further serve this end."

"By pursuing these policies we will not only address our domestic problems, but at the same time contribute to an enduring growth of the world economy and a more balanced expansion of international trade."

The declaration gives general backing to the International Monetary Fund and the World Bank in their present efforts, while welcoming increased co-operation between them, and confirming the present policy of addressing debt problems on a case by case basis.

A special section on the plight of sub-Saharan African countries sets out the urgent need for emergency food aid from private and official sources. But it also emphasises the need for longer term co-operation, between developed countries and the African countries, to improve the long-term productivity of their agricultural sector.

It adds: "Political obstacles in the countries should not be allowed to stand in the way of delivery of food to the hungry." It calls for more contributions from the Soviet Union and the other Communist countries and says that an expert group of officials has been set up to report on the problems by September 1985.

On the question of trade talks and of international monetary reform the declaration says: "Protectionism does not solve problems; it creates them. Further tangible progress in relaxing and dismantling existing trade restrictions is essential. We need new initiatives for strengthening the open multilateral trading system."

"We strongly endorse the agreement reached by the OECD Ministerial Council that a new Gatt round should begin as soon as possible. Most of us think that this should be in 1986. We agree that it would be useful that a preparatory meeting of senior officials should take place in the Gatt before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations."

"We also agree that active participation of a significant number of developed and developing countries in such negotiations is essential. We are looking to a balanced package for negotiation."

"It is also essential to improve the functioning of the international monetary system."

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'Six challenges' facing the Seven

THE DECLARATION issued by the seven nations in Bonn at the weekend confirms support for tight monetary and fiscal policies, but it does shift some of the emphasis towards the need to promote growth.

In the six "important challenges" and the five "conclusions" listed at the start of the declaration the general emphasis is on growth, the need to provide jobs, trade and monetary stability.

Nevertheless, the document makes it clear that the seven leading industrial powers have no intention of following the path of deflation through increased borrowing. A section summarising the strategy for growth starts off with a strong statement of the need to keep up the pressure on inflation.

It says: "We will follow prudent and where necessary strengthened monetary and budgetary policies, with a view to stable prices, lower interest rates and more productive investment. Each of our countries will exercise firm control over public spending, in order to reduce budget deficits, when excessive, and where necessary, the share of public spending in Gross National Product."

In addition it mentions a number of microeconomic measures to remove "obstacles to growth." These include the need for more flexible markets, particularly labour markets, improved training and better use of technology.

The declaration then sets out a brief manifesto by each country of its own priorities for improving performance.

A fairly optimistic appraisal of the world economy and identifies six main challenges ahead: the need to make economies more responsive to change; to increase employment; to reduce social inequality; to correct persistent imbalances; to halt protectionism and to improve the stability of the world monetary system.

In discussing these challenges, the declaration said the leaders had reached five main conclusions: that policies must aim to produce "sustained growth and higher employment; that developed and developing countries must work together; in a spirit of true industrial partnership; an early and substantial reduction of barriers to trade; to seek to make the functioning of the world monetary system more stable and more effective; finally they say that protection of the environment must be an essential element of policy."

The declaration says: "Building on these common principles, each of us has indicated the specific priorities for national policies."

"The President of the U.S.

considers it essential to achieve a rapid and appreciable cut in public expenditures and thus a substantial reduction in the budget deficit. He stresses also the need for further deregulation and for a reform of the tax system aimed at encouraging the efficient use of resources and stimulating new saving and investment."

The French President "stresses the need to continue bringing down inflation, to modernise the means of production and to improve employment, to control public spending and to combat social inequality. In that context he attaches high priority to education, research and investment in high technologies with a view to sustained growth."

The British Government "will continue to work to reduce inflation and to create the conditions for sustained growth. It will continue to keep public spending under strict control and maintain monetary discipline. It will promote the development of small and medium-sized businesses and advanced technological industries."

The West German Government "attaches high priority to strengthening the flexibility and vigour of the economy in order to achieve a lasting improvement in growth and to create new jobs."

The Japanese Government "considers it essential to persevere with its policy of budgetary discipline and strengthening market functions, particularly with a view to fostering investment. It intends to achieve further progress in deregulating financial markets, promoting the international role of the Yen, facilitating access to markets and encouraging growth in imports."

The Italian Government "gives priority to the further reduction of inflation and of the public deficit, while sustaining growth and investment. Particular emphasis will be put on incentives to create small and medium-sized industries, especially in the field of high technology, and to promote employment, especially for young people."

The Canadian Government "will focus on promoting investment and creating jobs in the private sector, on removing obstacles to sustained non-inflationary growth, on reducing the budget deficit and on retraining government expenditure. It will encourage entrepreneurial activities, with emphasis on the small and medium-sized business sectors."

The European Commission "attaches high priority to competing a genuine international market without barriers, which will eliminate rigidities and generate fresh economic growth on a Community-wide scale. A strengthened European Monetary System and closer economic

convergence will further serve this end."

"By pursuing these policies we will not only address our domestic problems, but at the same time contribute to an enduring growth of the world economy and a more balanced expansion of international trade."

The declaration gives general backing to the International Monetary Fund and the World Bank in their present efforts, while welcoming increased co-operation between them, and confirming the present policy of addressing debt problems on a case by case basis.

A special section on the plight of sub-Saharan African countries sets out the urgent need for emergency food aid from private and official sources. But it also emphasises the need for longer term co-operation, between developed countries and the African countries, to improve the long-term productivity of their agricultural sector.

It adds: "Political obstacles in the countries should not be allowed to stand in the way of delivery of food to the hungry." It calls for more contributions from the Soviet Union and the other Communist countries and says that an expert group of officials has been set up to report on the problems by September 1985.

On the question of trade talks and of international monetary reform the declaration says: "Protectionism does not solve problems; it creates them. Further tangible progress in relaxing and dismantling existing trade restrictions is essential. We need new initiatives for strengthening the open multilateral trading system."

"We strongly endorse the agreement reached by the OECD Ministerial Council that a new Gatt round should begin as soon as possible. Most of us think that this should be in 1986. We agree that it would be useful that a preparatory meeting of senior officials should take place in the Gatt before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations."

"We also agree that active participation of a significant number of developed and developing countries in such negotiations is essential. We are looking to a balanced package for negotiation."

"It is also essential to improve the functioning of the international monetary system."

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## Bonn will not expand its tax cut plans

By Rupert Cornwell in Bonn

WEST GERMANY'S Finance Minister, Herr Gerhard Stoltenberg, yesterday categorically ruled out any increase in next year's planned DM 11bn (€3.8bn) round of tax cuts, despite persistent demands from both the opposition and from the Free Democrats, junior partners in the centre-right coalition.

He made clear, however, that he retained power at the next federal election in early 1987, the Government would introduce further reductions in corporate and personal tax, on top of the DM 20bn package scheduled to go through in two stages in 1986 and 1988.

Herr Stoltenberg told the annual congress of West German tax consultants here that, despite apparent differences, last week's seven-pointed coalition had laid the ground for further sustained recovery in the world economy.

West Germany's best contribution, he said, was to maintain its current fiscal stabilisation policies, which had halved the federal deficit from a threatened DM 50bn in 1982 to around DM 25bn this year.

If the Government were to keep on course, no room existed for bringing forward the second planned batch of cuts to 1986 from 1988.

In an implicit rejection of demands that Bonn do more to foster international economic expansion, Herr Stoltenberg claimed that West German payments from the federal exchequer to the European Community were so to rise from DM 16.5bn in 1984 to almost DM 27bn in five years' time.

This amounted to a substantial extra burden on public finances, channelled largely into the international economy.

Meanwhile, provisional figures from the Economics Ministry last night suggest economic growth may be slowing, at least temporarily. Official predictions are of 2.5 per cent gross domestic product expansion this year, but industrial production in March was stagnant at February's level.

Activity in the building industry slumped 22 per cent

## Western allies snub East Germany

BY LESLIE COLLIT IN BERLIN

THE THREE Western allies in Berlin will not take part in ceremonies in East Berlin today to mark the 40th anniversary of the capitulation of Nazi Germany.

Spokesmen said the allies would not send representatives to a government ceremony in the Palace of the Republic because East Germany maintains that the Soviet Union almost single-handedly defeated Nazi Germany with "some small input from the Western allies".

The boycott contrasts with the planned presence of several Western ambassadors at celebrations in Moscow tomorrow and on Thursday. The allies also decided against attending a wreath-laying ceremony tomorrow at the Soviet War Memorial in East Berlin because East German troops will be there. This is regarded as a violation of the demilitarised status of Berlin.

In addition, the Americans

A Soviet Deputy Defence Minister yesterday charged that the West continued to belittle the role of the Soviet Union in the Allied victory over Nazi Germany 40 years ago and singled out Washington for failing to learn the lessons of the Second World War, writes our Moscow Correspondent.

Marshal Vasily Petrov, one of three First Deputies to Defence Minister Sergei Sokolov, said the U.S. was seeking world domination through a wide range of new missiles and weapons systems, such as MX and Pershing. As Marshal Petrov, 68, was

addressing a Press conference here, former allies were making clear what representations they intended to send to Moscow's elaborate celebrations on May 8 and 9.

Britain will send its ambassador, Sir Ian Sutherland, to the parade, his first since Nato envoys stopped attending military marches after the Soviet intervention in Afghanistan in 1979. The U.S. and Dutch ambassadors will not attend the parade, but envoys from most other war-time allies are expected to go to Red Square and to a Kremlin reception after the march past.

The boycott of the East German ceremonies was undoubtedly also influenced by West Germany's decision last week not to attend them. The Bonn Government objects to the way East Germany has

maintained that it was "liberated" in 1945, without mentioning the resulting division of Germany. President Erich Honecker of East Germany who consulted Mr Mikhail Gorbachev, the Soviet leader, over the weekend in Moscow, said his country has "always been and always would be a loyal friend and reliable ally" of Moscow.

Herr Honecker was prevented from visiting West Germany last year by the Soviet Union which did not want to see the Bonn Government "rewarded" for accepting new U.S. missiles. The heads of the tiny West German and West Berlin Communist parties were also in Moscow with Herr Honecker to dedicate a museum to Germans who had fought the Nazis. It was a rare reminder by Moscow that it is not wholly opposed to German unity, providing it takes place under Communist auspices.

## Moscow may ration vodka to curb abuse

BY OUR MOSCOW CORRESPONDENT

SOVIET OFFICIALS, alarmed by the level of alcohol abuse here, are believed to be considering rationing vodka and raising prices.

Ever since the Communist Party's politburo discussed ways to combat drunkenness and alcoholism a month ago, Moscow has been alive with rumours. All agree that the new policy is likely to be announced soon after the May 9 victory day celebrations.

Discussion of the problem by the politburo reflected the declared priority of Mr Mikhail

Gorbachev, the Soviet leader, to wipe out the ill-discipline, corruption and drinking on the premises which are hampering the economy.

Soviet citizens are among the world's heaviest drinkers, with an average consumption of about eight litres of pure alcohol a year.

If ration cards are issued, they are expected to allow one litre of spirits a month to be bought. A bottle of vodka could more than double in price to about Roubles 20 (€20). The average monthly wage is

Roubles 180. Tough regulations on drinking at work are also likely. A worker found drunk on the premises could be sacked and face jail.

Officials are clearly not just worried about the effect of alcohol on the economy, but its broader social implications. Drunkenness is the main reason for divorce and the biggest single cause of premature death in the Soviet Union. In the past 20 years, male life expectancy has dropped to 62 from 67.

Nor is it exclusively an adult male problem. Newspapers have called for tougher action against drunken mothers and expressed alarm at the growing number of backward children born of alcoholic parents. They also frequently report on drinking among young people, some not even in their teens.

In a move clearly designed to start a recurrent boom in distilling, the official Russian Federation government gazette yesterday announced harsher sentences for first-time offenders caught making moonshine. They now face up to five years hard labour.

There is a growing expectation in business and political circles that the Government will be forced to increase indirect taxes, perhaps before the summer holiday, in order to curb consumption and imports.

Prime Minister Poul Schlüter, leader of the Conservative Party, was

barred with eggs, tomatoes and other missiles, when he addressed a 20,000 crowd in Copenhagen's Town Hall Square on Saturday at a rally to mark the 40th anniversary of the Liberation.

The Prime Minister completed his speech from behind police shields, while protesters continued their barrage.

Politicians from all parties, except the Communists, denounced the demonstration as a disgrace. Former Social Democratic Prime Minister, Anker Jørgensen, said the action was "a totally unacceptable development for our democracy".

## Poll victory for Danish Socialists forecast

By Hilary Barnes in Copenhagen

The current unpopularity of Denmark's non-Socialist coalition Government, following the imposition of a statutory incomes policy last month was underlined by a weekend Gallup poll, which indicated that the Social Democrats and the left-wing Socialist People's Party (SPP) would obtain an absolute majority in the Folketing if an election was held now.

Only one, in 1966-67, has there been an actual Socialist majority in the Parliament, but the prospect of a new Socialist majority has caused the SPP to call for a Socialist coalition after an election.

The Social Democrats have reacted cautiously, calling for a moderation of SPP foreign and economic policies as the price of formal co-operation.

A main obstacle to co-operation is the SPP's opposition to Denmark's membership of Nato and the EEC.

The Government's popularity could take another knock soon. Following a large trade deficit in the first quarter, the current balance of payments deficit for the quarter is expected to soar to a record Dkr 7bn (€503.6m) to Dkr 8bn.

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## Commission set to challenge Bonn veto on cereal price cut

BY IVO DAWNAY IN BRUSSELS

THE THREAT by West Germany to veto any cut in EEC cereal prices looks almost certain to be challenged next week when the European Commission presents a "final" package of proposals for Community farm prices for 1985-86.

Failure to agree on a compromise package at a marathon four-day meeting in Luxembourg, which ended last Sunday, has left the impasse over grains as the major stumbling block to a deal.

Yet Mr Frans Andriessen, the Farm Commissioner, has made clear to Sig Filippou Pandolfi, the council's Italian president, that he will only present revised proposals if the debate is brought to a rapid conclusion. As the Italian Minister has apparently accepted this, officials and diplomats in Brussels believe that a vote is the only prompt route through the cereals blockade.

Sig Pandolfi suggested on Sunday that substantial progress towards a solution had been made in the talks. But the West Germans continue to insist that any cut in grain prices is unacceptable and will be vetoed.

Such a veto is likely to precipitate a major controversy, both within the Community and in Bonn. The West Germans have been in the vanguard of member states arguing for more use of majority voting in Council meetings and the abandonment of the national veto to

speed decision-making. But Herr Ignaz Kleeble, the West German Farm Minister, has long emphasised that his rigid stance on grains has the full support of the governing centre-right coalition, including Chancellor Helmut Kohl.

Commissioner Andriessen made clear at the weekend that he could not sanction a compromise put by the Italians to reduce cereal prices from 3.6 per cent to 1.8 per cent.

Such a move would add almost Ecu 100m (€30m) to the Ecu 20bn farm budget, thus breaching its spending ceiling. The best the Commission is, therefore, likely to propose are cuts reduced to not less than 2 per cent.

Several member states, including Denmark, Greece and, possibly, Britain, are unlikely to be happy, however, at any attempt to override West Germany through a vote. Moreover, if the West Germans do oppose there could follow a protracted debate as to whether the cereals issue constitutes a sufficiently "vital national interest" to justify the use of the veto.

Laura Rann in Amsterdam writes: Mr Gerrit Braks, the Dutch Minister of Agriculture, will ask market gardeners and Jasmie, the national natural gas utility, to comply with a demand from the Commission that the gas price for horticulturists be raised.

## Cheap financing packages boost U.S. car sales

BY TERRY DODSWORTH IN NEW YORK

SALES of the big three U.S. car manufacturers rose by 9.6 per cent last month as the industry benefited from aggressive cheap financing packages.

Out of total shipments of 764,500, up from 692,400 in 1985, Chrysler staged the biggest advance, with sales rising by 27 per cent to 117,500 units. Ford was ahead by 12 per cent from 164,000 cars to 191,000, while General Motors generated only a marginal increase from 436,000 to 456,000.

In the first four months of the year, car sales have risen by

5.4 per cent from 2.61m to 2.75m.

The figures underline the continuing strength of the U.S. car market, despite the general slackening of the economy in recent months. Although analysts say that this buoyancy is partly attributable to financing offers giving purchasers interest rates on car loans as low as 8.5 per cent, motor manufacturers are currently planning increased production schedules on last year.

In the truck market, sales slowed last month, but still rose by 6.8 per cent to 299,000 units.



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## OVERSEAS NEWS

## Violence in Soweto following raid on Cape black township

BY ANTHONY ROBINSON IN CAPE TOWN

POLICE USED teargas and rubber bullets to disperse crowds several hundred strong looting and stoning vehicles in Soweto, South Africa's largest and most prosperous black township, near Johannesburg yesterday.

The latest incidents took place against a background of a lower level of violence in the Eastern Cape following a show of force by police and army columns in Kwanobule township over the weekend. Five people had been killed in the township prior to the combined operation.

Police arrested 29 people during the nine-hour operation, which Mr Adrian Vlok, Deputy Minister of Law and Order, said was aimed at "radical political and terrorist elements," whom he described as "instigators of the unrest."

Mr Vlok watched part of the operation with Mr Louis Nel, the Deputy Foreign Minister. The Government was aware of the frustrations and grievances of the black population, he said, but it could not tolerate

the lawlessness which had disrupted life in the townships, intimidated law-abiding citizens, and destroyed vital services, including sewerage and refuse collection.

He also referred to growing tension between the black consciousness Azapo movement and the multi-racial United Democratic Front (UDF). Discontent between black factions "was creating a situation conducive to violence and unrest and was being exploited by certain elements who did not want to see peace restored to the townships," Mr Vlok claimed.

Government ministers have repeatedly attacked the UDF as a front for the banned African National Congress and are believed to be angry at the release on bail in Pietermaritzburg of 16 UDF activists last Friday. The 16 face treason charges within the next two months, and half have been imprisoned since their arrest last August in connection with the campaign to boycott the new tricameral constitution.

## Israel cuts trade deficit

BY DAVID LENNON IN TEL AVIV

THE deficit in Israel's balance of payments current account fell by 5.5 per cent last year, to \$4.9bn (\$4.1bn) the Central Bureau of Statistics reported yesterday.

The trade deficit was cut by 19 per cent, thanks to a 12.5 per cent increase in the export of goods and a 2.5 per cent decline in civilian (non military) imports.

However, this was largely offset by a 25 per cent increase in foreign debt servicing as loans taken to rebuild the army after the 1973 Arab-Israeli war came to maturity.

Developments this year indicate that it is unlikely that Israel will be able to record any improvement in its balance of payments during 1985.

## Gemayel meets army council

President Amin Gemayel and top army commanders yesterday discussed ways to end a week of sectarian clashes in Beirut, as Lebanon's Maronite patriarch flew to Rome to ask the Pope to launch a peace plan, Reuters reports from Beirut.

Sniper and rocket-propelled grenade fire echoed through non-deserted streets in the normally bustling centre of Beirut, the "Green Line," crossing to the Christian east and the Muslim west.

Radio stations said shells fell sporadically on the southern suburbs after 20 minutes of heavy tank and artillery fire across the city's Christian-Muslim battlefronts at dawn and the shelling of Beirut airport last night.

Officials said Gemayel met his 50-man military council of Christian and Muslim commanders after talks with Maronite Christian Cardinal Antonios Bzour Khreish.

Cardinal Khreish, who later flew to Rome, said he would ask Pope John Paul to start peace talks "on the international level" and secure the return of Christians who fled their villages during Christian-Muslim fighting in south Lebanon.

Newspapers said Cardinal Khreish would present the Pope with a four-point peace plan for national unity, the return of Christian refugees, formation of a "strike force" to maintain law and order and the establishment of Lebanon as a neutral country.

Thousands of Christians fled their homes near Sidon and in the Kharroub hills to its north-east when Druze and Muslim fighters overran their villages after the Christian "Lebanese Forces" militia suddenly withdrew from the area last month.

## Kuwait parliamentary crisis eases

BY KATHLEEN EVANS IN KUWAIT

THE weekend resignation of Kuwait Justice Minister Mr Salhan al Duaij al Sabah appears to have taken the country's parliamentary crisis off the boil. He resigned in the face of a vote of no confidence planned for today in the country's continuing inquest into the 1982 crash of the Souk al Manakh stock exchange.

If the motion had come to a vote—and press reports have suggested it would have gained solid support—it may have provoked a serious confrontation between the country's rulers and parliament, the only elected Arab assembly in the Gulf.

The minister had been accused by opposition deputies of using his office for personal gain. He vehemently denied the allegation, though admitted that his 12-year-old son had received

nearly \$5m (\$4.2m) from the special fund established by the Government to help bail out small stock market investors.

Nevertheless, the future of Ali Khalifa al Sabah, Oil and Industry Minister, yesterday still hung in the balance. Sheikh Ali Khalifa, a well known figure in the Organisation of Petroleum Exporting Countries (Opec), is understood to have submitted his resignation in the face of attacks over policies undertaken during his term of office as Minister of Finance which ended last February.

It appears, however, that the resignation will not be accepted. The Justice Minister's resignation could certainly calm the campaign to oust the Oil Minister, especially as many Kuwaitis fear that the ruling family could be tempted to dissolve

Parliament and call for fresh elections if it became apparent that more ministers would have to undergo humiliating public interrogation of their policies and personal affairs.

A senior Kuwaiti official close to the ruling family intimated as much. "If five or six members of parliament precipitate a crisis, then all democracy will suffer. They are looking for a confrontation, then the Emir has to prepare for the worst," he said.

The united front presented by the ruling family appears to guarantee Sheikh Ali Khalifa's future. However, observers point out that the family was similarly supportive of the former Justice Minister, but that when it became apparent that the calls for his resignation had gained widespread

public support, the Government gave way.

Most commentators believe that a second resignation forced by Parliament, especially of such a prestigious Minister, would provoke a severe crisis in the country.

Sheikh Ali Khalifa faces criticism from a number of strong quarters. The merchant families, for example, are known to have resented actions he took to help resolve the tangle of indebtedness among a number of high-ranking personalities.

Both the Islamic fundamentalist and nationalist groups opposed his inclusion in the new Cabinet during their consultations two months ago with the Crown Prince and Prime Minister.

## Parliament rejects bid to censure Pindling

By Nicky Kelly in Nassau

AN ATTEMPT by Bahamas parliamentary opposition to condemn Prime Minister Sir Lynden Pindling and two former Cabinet Ministers on the basis of findings made by a recent commission on corruption and drug smuggling has failed.

Instead the Government successfully deflected all references to the commission or its findings to the commission or its findings to the resolution finally approved by the House of Assembly following a stormy three-day debate.

The resolution, passed unanimously in the Prime Minister's absence, declared that any person proven to have knowingly taken part in or facilitated drug trafficking was "unsuitable for services in the parliament of the Bahamas."

## Gandhi faces mounting unrest

BY K. K. SHARMA IN NEW DELHI

INDIA'S Prime Minister, Mr Rajiv Gandhi, yesterday launched the centenary celebrations of his ruling Congress party in a triumphant mood by reiterating his commitment to socialism, but without any reference to the growing troubles facing him in various parts of the country.

In the congress-I ruled state of Gujarat in western India and in the strategically important state of Kashmir where Mr Gandhi's party supports the ruling national conference faction, there were fresh indications of intensified agitation by opposition parties.

In Gujarat, where there have been frequently violent protests against job reservations for lower castes since the middle of March, a majority of the 12m state government employees began an indefinite strike throughout the state and

the abolition of the roster brought the administration to a virtual standstill.

The protesters are demanding a system of promotion which favours the backward classes and a judicial inquiry into a police case charge on government employees last month.

Kashmir, where opposition parties led by Dr Farooq Abdullah called a statewide general strike which found a good response in Srinagar, the capital. Dr Abdullah was ousted as chief minister a year ago in a move widely believed to have been inspired by Mr Gandhi who was then the Congress-I general secretary.

Dr Abdullah has long been seeking his reinstatement but recent talks with Mr Gandhi on the situation in Kashmir did not lead to a rapprochement. He has now mobilised all opposition parties to seek the dismissal of the present chief

minister, Mr G. M. Shah, who is expected to gather momentum in the coming days.

Although Mr Gandhi made no reference to these developments, he came out publicly in strong language for the first time on the possibility of Pakistan's acquiring nuclear weapons. He said his Government was now actively considering taking "action."

If Pakistan were actually to acquire nuclear weapons, he said, the military situation in the subcontinent would change radically, particularly as Pakistan was swiftly building up its stock of sophisticated conventional weapons.

Government officials later said that it would be wrong to interpret Mr Gandhi's remarks to mean that India was reconsidering its policy of using nuclear energy only for peaceful purposes.

## Paris club considers plea for \$1.8bn from Pakistan

BY MOHAMMED AFTAB IN ISLAMABAD

THE PARIS club of Western creditor nations is considering a \$1.8bn aid request from Pakistan which wants the money to finance \$1.4bn in development projects, \$350m for the commodity imports and \$90m for wheat imports during the 1985-1986 fiscal year beginning in July.

For the current year, the Paris club has committed \$1.82bn to Pakistan whose foreign debts total \$12bn.

Islamabad's aid request comes against the backdrop of a comparatively poor economic performance. Mr Mahabub Haq, the new Finance Minister, has recently published statistics showing downward trends in foreign trade, remittances from abroad, food, energy, debt servicing, as well as government savings, for the first nine months from July, 1984, to March this year.

Exports reached only \$1.7bn, down 12 per cent from the same period last year, against a target of \$3.1bn for 12 months. Imports rose 12.5 per cent to \$3.88bn.

Remittances by overseas Pakistanis, working mainly in the Middle East, fell to \$2.5bn, from \$2.8bn last year.

Foreign exchange reserves fell to \$745m in April from \$1.537bn.

The rupee has continued to slide against the dollar to Rs 16,

compared with Rs 15.36 in December last year and Rs 12.84 in December 1983.

Pakistan continues to suffer from a severe shortage of electricity, due to drought which has hit industry, agriculture, business, and domestic consumers hard.

Mr Haq expects industrial production and gross domestic product to rise by 5 per cent, but businessmen and independent economists doubt it.

Wheat production at 11m metric tonnes is down 15 to 20 per cent from the 13.5m metric tonnes target, according to the Ministry of Food and Agriculture. But there is a record 5.9m-bale cotton crop, compared with last year's drought- and pest-stricken harvest of 2.7m bales.

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At their April 19 meeting the Board of Directors has approved the accounts of fiscal year 1984 which show a net consolidated profit of 61 million Francs, against 68.7 million the preceding year. The net consolidated cash flow goes from 207 million to 229.2 million Francs, i.e. an 11% increase, taking into account the amortizations appropriation which increases by 26.6%, reaching 165 million Francs.

Results of the parent company and of the group can be summarized as follows:

	1984	1983	MOULINEX S.A.	1984	1983
Turnover	3,327.0	2,911.8	2,807.4	2,390.5	1,356.6
Trading results	216.9	228.4	121.3	135.6	99.5
Current results	78.2	101.1	46.9	67.2	72.9
Net results (including minority interests)	61.0	68.8	206.9	174.9	124.2
Industrial investments (net)	213.0	108.8	168.5	162.2	108.6
Amortizations appropriation	105.1	130.5	181.4	180.6	108.6
Gross autofinancing margin	229.2	207.0			

\* Including derogatory amortizations which are not taken into account in the consolidated results. In addition to the increase of the consolidated gross autofinancing margin, it is important to stress that the development of the turnover is mainly due to exports, which increase from 45.3% to 67.6% of the activities. The main terms of the balance sheet (client accounts, stocks, etc.) showed a satisfactory evolution with a lower percentage compared to the increase of activity expressed on a percentage basis.

The total indebtedness of the parent company and of the group is the only item which follows a higher rhythm. In view of the importance of present investments and of new development projects defined hereunder, which will require important resources, the Board will propose to the Assembly the payment of a net dividend of FF 3 per share for the 1984 fiscal year against FF 4 in 1983. During this same meeting the Board approved an agreement project with the American group SCOVILL, whose HAMILTON BEACH division represents one of the leaders of the small domestic appliances sector in the United States.

The broad lines of this project can be summarized as follows:

- (1) contract for the delivery of spare parts and components supplied by MOULINEX from its French factories;
- (2) joint venture agreement in the United States between HAMILTON BEACH and MOULINEX which should, under the trademark MOULINEX, enable the development of the group's sales in the US, particularly for the top level products.

The conclusion of these two contracts will allow a substantial increase of the group's exports towards the US. The final signature of this letter of intent should take place at the end of the first half of 1985, subject to obtaining the necessary government authorizations. These projects have caused MOULINEX to give up its participation in the MOULINEX REGAL INC. company, and the review of agreements binding MOULINEX and REGAL companies. These modifications should however have no effect on the volume of our exports to the REGAL company.

On the other hand MOULINEX and SCOVILL wish to extend their ties beyond the trading agreement of close to 20% in the capital of MOULINEX. This participation would be transferred by the main shareholder.

The Board of Directors has moreover confirmed the strategic trends of the group aiming to:

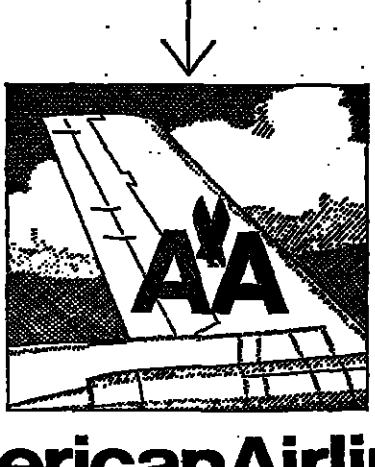
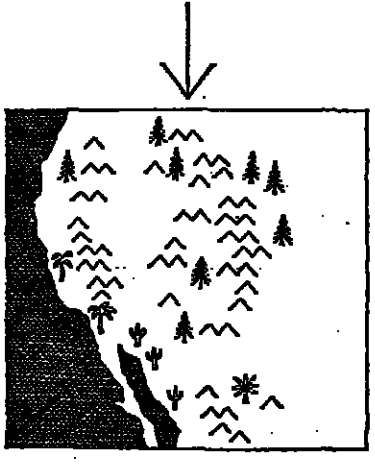
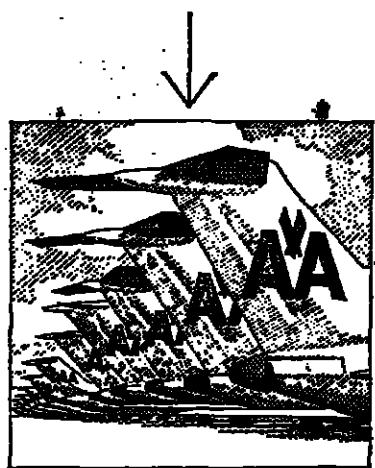
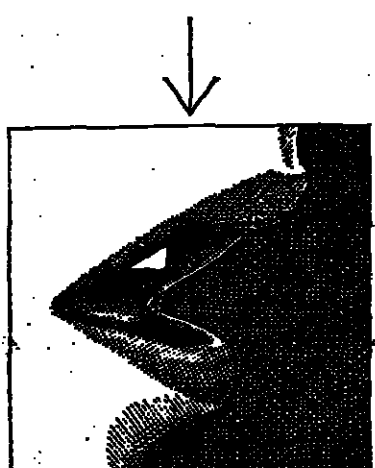
- (1) develop top level products, specifically the micro-wave oven for which the group has become one of the European leaders in a market which practically doubles in volume every year;
- (2) continue the geographical development, particularly in the US.

This threefold policy for an industrial, technical and commercial development should influence favourably the future results of the company; it requires however the availability of important financial means. With this in mind, the Board has agreed on the principle of a call on the financial market according to terms and conditions which will be defined during its next meeting.

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## Brazilian airline workers end strike

By Andrew Whitely, in Rio de Janeiro

DOMESTIC FLIGHTS in Brazil returned to normal over the weekend following the end of a crippling four-day strike by ground staff and air crews employed by the three largest airlines.

But the country's vehicle and vehicle components industries remain virtually paralysed, as the strike by Sao Paulo metal workers approached its fourth week — making it the longest and most serious strike in the industry since 1980.

Adding up the losses, Sr Marcos Pereira Vianna, the foreign trade chief, said that in April the vehicle industry strikes had cost the country \$160m (\$131m) in lost exports. The stoppage is also beginning to hurt vehicle assembly lines in other countries dependent on engines and components made in Brazil by subsidiaries of the major multi-nationals.

A batch of 6,900 turbo engines for Ford of Europe could not be exported last week. The Engines Division of General Motors in the U.S. has been similarly hit.

Sr Almir Pazianotto, the Labour Minister, who has been working round the clock to find peace formulas for the current week-end that the storm would blow itself out within the next 40 days.

In an attempt to calm the recent agitated labour sphere, heated up by strong denunciations of the strikes and their leaders by government officials including President Jose Sarney, Sr Pazianotto said: "Strikes are a fact of life in the world of labour relations."

What is complicating the dispute between the Sao Paulo metalworkers—the best organised and the most militant trade unionists in Brazil—and the vehicle manufacturers is the Government's refusal to allow the employers to pass on the cost of a settlement to the consumer in the form of retail price rises.

According to the metalworkers' federation, 154 separate settlements involving over 50,000 workers in Sao Paulo state have already been signed. Most have resulted in the award of small real salary increases, above inflation, and a reduction in the average working week from 48 to 44 hours.

But a hardcore of about 65,000 remain in dispute, using a variety of tactics, including go-slows and factory occupation.

Mr Sarney's Government has decided to eliminate three digits from the cruzeiro, the Brazilian currency, as from the beginning of 1986. The reform, made necessary by galloping inflation and matching devaluations, will be the second major adjustment for the currency in 20 years.



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## Hungarians to shop in the West through mail order

BY LESLIE COULT IN BERLIN

HUNGARIANS next year will become the first East Europeans to be able to order products from a Western mail order catalogue and pay for them in their own currency.

An agreement has been signed by the West German group, Quelle, Western Europe's largest mail order house, and Hungary's foreign trade organisation, from next spring Hungarians will be able to order from the Quelle catalogue in offices in Budapest and three other cities, and to pay in forints.

In the past they have been able to order from Quelle's catalogue only if they had hard currency bank accounts in Hungary.

The Quelle goods are to be paid for with Hungarian forints and other goods and services. The exchange of products is to take place through a special clearing account.

The agreement envisages a joint mail order company in a few years' time.

For the past few years Hungarians have been able to buy Quelle's photographic equipment and spectacles for forints from a Budapest shop. The goods were paid for with Hungarian spectacle frames and eggs. Since last year Hungarians have also been allowed to book Western package tours from the Austrian subsidiary of West Germany's Neckermann Reisen.

## Austria and Nigeria sign \$200m countertrade deal

BY PATRICK BLUM IN VIENNA

AUSTRIA and Nigeria have signed a \$200m countertrade deal for oil supplies against Austrian capital goods and raw materials. The deal, just signed by the Austrian Intertrading subsidiary of the state-owned steel, engineering and electronics group, and the Nigerian Government comes hot on the heels of a similar agreement worth \$500m reached last week with France.

Under the Austrian agreement Vost-Alpine Intertrading will buy Nigerian oil worth \$200m and sell to Nigeria Austrian capital goods equipment, steel and various building materials.

Nigeria has signed several similar agreements recently in an attempt to overcome financial constraints at home.

Vost-Alpine Intertrading, established six years ago, has rapidly built itself a strong reputation in the countertrade business especially in oil trading which represents about 80 per cent of its sales.

Initially the company was set up to handle complicated countertrade arrangements for the Vost-Alpine group, but it has grown into the group's largest company, outstripping the parent company in sales as well as becoming one of the world's leading oil traders. Its turnover last year was in the region of Sch 80bn (\$3.8bn), almost half of the Sch 170bn (\$8.3bn) total group turnover.

## W. German cabling leader to build £3m Irish plant

BY BRENDAN KEENAN IN DUBLIN

A LEADING West German manufacturer of cabling equipment for computers and cars is to build a £3m plant in Ireland in an effort to increase its sales in Britain and the U.S.

Leonische Draht-Werke, of Nuremberg, established a plant in Birr, 60 miles from Dublin, through a subsidiary, LD Intercon. The Irish Industrial Development Authority (IDA) won the contract against stiff competition.

The company, which is the leader in its field in West Germany, supplies cabling to such electronics companies as IBM and Apple Computers, and car manufacturers like Mercedes Benz, Porsche and Ford. It has five plants in West Germany and one in Tunisia.

The plant, employing 150 at full production, will be the most automated in the group and will also be responsible for marketing, purchasing and product development.

Leonische employs more than 2,500 people overall and had sales last year of almost \$70m. Ireland's textile and footwear industries also are to receive a \$3.2m boost through three projects granted by the IDA. The schemes, by Farah and Riverside, two U.S. textile companies, and C-Step, a new Irish shoe manufacturer, will create almost 400 jobs.

## British mission to Poland

BY OUR TRADE EDITOR

BRITISH BUSINESSMEN are to visit Poland this week on the first trade mission to the country to be organised by the London Chamber of Commerce for three years.

The organisers said the mission wants to resume trading contacts and study trade reforms of the economy and of Poland's foreign trade system. British imports from Poland rose more than 50 per cent last year to £267m, while exports grew 12 per cent to £170m.

The 15-man delegation includes representatives from BP, Babcock Power, Baker Perkins, British Aerospace, Castrol, ICI, John Brown, Massey Ferguson, Metal Box, Karlex, Shell Petroleum and the Wellcome Foundation.

They are due to meet the Ministry of Foreign Trade, the Polish Chamber of Foreign Trade and ministers responsible for the various industrial sectors.

## SHIPPING REPORT

### Dry cargo rates tail off

BY ANDREW FISHER, SHIPPING CORRESPONDENT

DRY CARGO rates, which picked up last week after a fairly weak start to the year, are now showing signs of tailing off again. Last week's slackness in trade was largely attributable to holidays in Europe and Japan. With industrial growth tending to flatten out, freight rates could turn lower.

Only one fixture was reported on the North Atlantic grain market for big ships last week, said Galbraith's. There was, however, more Soviet charter activity from the U.S. Gulf.

Iron ore rates were under pressure, but Galbraith's thought it too early to say whether the market was sliding into the summer lull. A cargo of 80,000 tons of ore was fixed from Mombasa to Rotterdam at \$5.20 a ton, only 5 cents down on the previous week.

When dry cargo rates moved up a year ago, the feeling was that the growing world movement of minerals, stemming from the improved outlook in the U.S. and other countries, would boost the market in the usually quiet summer period.

"In the event," said off-set the seasonal reduction in Matheron (Chartering), "the expansion of coal and ore trading last year proved insufficient to offset the seasonal reduction in grain movement."

Thus the markets slumped. Now, it added, "with the industrial revival showing signs of levelling off and rates only marginally improved, the dry cargo trades again look vulnerable."

In the tanker market, vessels were still being hit in the Gulf as a result of the Iran-Iraq conflict. Trading was slow there and in Indonesia, but business and rate levels did improve in West Africa.

WORLD ECONOMIC INDICATORS				
TRADE STATISTICS				
	March 85	Feb 85	Jan 85	March 84
U.S. (\$bn)				
Exports	18,446	17,853	19,401	17,906
Imports	28,129	27,985	28,297	28,548
Balance	-9,683	-10,132	-8,896	-10,642
U.K. (£bn)				
Exports	4,815	4,897	6,561	5,468
Imports	7,715	7,167	6,616	5,907
Balance	-2,900	-2,270	-1,055	-4,439
France (FFbn)				
Exports	79.40	75.9	68.80	67.97
Imports	80.00	82.3	72.70	70.79
Balance	-0.60	-6.4	-3.90	-2.80
Germany (DMbn)				
Exports	48.9	44.50	43.74	38.71
Imports	42.5	39.18	39.38	35.45
Balance	+6.4	+5.32	+4.36	+3.26
Japan (¥bn)				
Exports	12,906	11,059	12,341	12,241
Imports	10,546	10,394	11,320	11,662
Balance	+2,360	+6,665	+1,021	+6,579

## Fluor in link-up with China

FLUOR, the giant U.S. engineering company, has launched a joint operating venture with China to build three large petrochemical plants in the Shanghai area as a first project, AP reports from Los Angeles.

An agreement for the venture, Fluor's first such contract to China, was formalised in a signing ceremony in China last week.

"In the long run, if you're going to participate in this market, you're going to have to be here," said Mr David Tappan, Fluor's chairman.

Fluor's joint venture company, called Sino Fluor Engineering, was formed with the Government-owned China Petrochemical International Company. The two partners will each own half of Sino Fluor Engineering, which will begin operations with capital of \$1m (\$233,000).

As many as 40 Fluor engineers will go to China to work in the new company which will employ from 250 to 300 Chinese on the Shanghai projects, said Mr Thomas Howell, the U.S. company's senior vice-president for product management.

Fluor has had an office in Peking since 1978 and has worked on several other engineering projects in the country.

## Five years of war have wiped out Baghdad's cash reserves, writes Tony Walker

# Iraq looks for relief on the debt front

IRAQ IS staggering under the burden of almost five years of war. With no end in sight to a conflict that has wiped out its vast cash reserves, Baghdad is asking some creditors to again reschedule debt payments first due in 1983 and deferred until 1985.

Iraqi authorities, early in April, summoned Japanese and East European creditors to ask for more time to pay 1985 instalments on debts left over from 1983. Deferred 1983 payments due to Japanese trading companies this year amount to about \$400m (\$330.5m).

Mitsubishi and Marubeni, the trading companies, are understood to have rejected Iraq's initial proposals for a further rescheduling.

But discussions continue. Yugoslavia, which has large exposure in Iraq, has also again been asked to defer 1983 payments.

Iraq, however, has met the first of its deferred 1983 commitments to West European creditors, such as West Germany and France. Money owed this year by Iraq to contractors and suppliers is estimated to be about \$2bn, including deferred 1983 payments and payments due this year.

Total Iraqi indebtedness to foreign creditors is about \$40bn, but at least two-thirds of this is loans from Arab countries or payments from oil sold on Iraq's behalf by Saudi Arabia and Kuwait and may never be repaid.

official said the latest round of negotiations between Iraqi and Japanese companies centre partly on interest payments on unserviced debt.

"If Japanese companies can receive interest on amounts owed, the position may not be so serious for them," said the official.

The Iraqis, on the other hand, de Banques Arabes and Francaises (UBAF).

Payment to UK contractors of rescheduled 1983 debt is also being met on time. The amount owed this year is less than \$100m, according to a British Embassy official in Baghdad.

Total exposure of British business in Iraq is relatively small, compared with their European competitors.

Britain, despite the difficulties in Iraq, is actively pursuing a new business. A Government-backed £275m line of credit available in 1984 was utilised and further £300m is being made available this year on similar terms.

British companies which benefited from the 1984 credits included Paterson and Candy, which contracted for a water-treatment plant in Baghdad. NEI Parsons for the supply of turbine generators, and the British subsidiary of Snamprogetti, the Italian company, which is sharing in construction of a water injection and gas-lifting plant in the oil industry.

The U.S. is another major creditor for commodity shipments totalling some \$1.8bn, backed by its commodity credit corporation (CCC).

It is being repaid on schedule, according to a U.S. official who noted that, under the terms of CCC credits, failure to repay leads to a mandatory end to the programme.

Iraq is where possible seeking to settle outstanding debts in oil. This trend is likely to strengthen when more oil for export becomes available later in the year with the opening of a new pipeline to link with the Saudi petro-line.

This will increase Iraqi exports by some 400,000-500,000 barrels a day from its present 1m approximately.

Iraq is still far from over the debt rescheduling hump. Western officials note that even without rescheduling of debts from this year, 1988 was going to be a peak year for repayments. A figure being mentioned is \$3bn to contractors and suppliers, compared with the \$2bn due this year.

The Iranian offensive in March will have affected Iraq's ability to meet its 1985 commitments. "It was expensive in terms of equipment lost which was not anticipated," said a Western official.

The dollar's strength in the past year has been a significant bonus for Iraq since its oil exports, which account for 99 per cent of its export earnings, are paid for in dollars or bartered at a dollar-denominated rate.

"Basically, what we're in for is a period of hard bargaining between Iraq and its creditors," a Western official said. "But the Iraqis don't want attention drawn to their difficulties in meeting debts. I don't think they want a fight."

## FOCUS ON OVERSEAS INVESTMENT AND CAPITAL EXPORT

# HITACHI: Planning for a Thousand Years

By Richard C. Hanson

Hitachi, Ltd., by any measure, is one of the most powerful, and profitable, manufacturing enterprises in the world. Last year, the company recorded its sixth consecutive year of record net income, and eighth year of record sales. Keeping pace with rapid changes in the market place, however, presents a serious challenge to Hitachi's senior managers.

Over the past decade, Hitachi's traditional profit centres, including heavy electrical machinery, have grown far slower than the fast-moving markets for high-tech electronic consumer goods, semiconductors and computers. Hitachi prides itself in being a company of professional engineers; it is now having to look harder at marketing its products.

In celebrating the company's 75th anniversary this year, Hitachi's mid-managed President, Mr. Katsushige Mita, recently gave his staff the task of looking ahead at what the company should be aiming at over the next decade. Mr. Mita explains the results.

Hanson: So basic research and development is in some cases taking a back seat to marketing to the consumer?

Mita: It is really a balance between the two. For a long time, we have spent a lot of money on R&D. We spend about 7.2% of our sales on research. But again it was easier to shape our R&D to specialised heavy machinery than to consumer goods. We will continue to spend heavily on R&D. Especially this year, our 75th anniversary, we've decided to expand the scope of our research. In fact, we've just opened the Advanced Research Laboratory for basic research. That's where we will conduct more basic research.

Hanson: Mr. Mita, your background is as an electric engineer. Has Hitachi always relied on engineers in top management?

Mita: All of the five presidents of Hitachi have been engineers, so I guess you can say Hitachi does so more than others.

Hanson: How does Hitachi view its overseas markets? Is there more pressure to invest in production abroad as a result of protectionism?

Mita: It is clear that if Japan only produces in Japan and tries to export, there will be trade friction in many forms. That's bad. So we're moving in a number of ways to expand our investment overseas. We are increasing production at our American semiconductor plant in Texas. In Kentucky, we've decided to build a plant to supply electronic parts to the car industry. In West Germany we are expanding our semiconductor plant and our VTR plant. Hitachi's UK television plant is being upgraded to produce VTRs also. Our relations with China are growing. We've been asked to participate in joint ventures and provide technological assistance. China isn't just consumer electronics. There is also demand for heavy electric goods, such as elevators and power equipment.

Hanson: Looking at different geographic regions, how does Hitachi view the world?

Mita: In the U.S. and Europe, we have to look at local production. That is increasing. In Southeast Asia, it is



Mr. Katsushige Mita  
President  
Hitachi, Ltd.

Mita: There are definitely remnants of old ways of doing things. Those have to be revised. Take medical equipment. Foreign equipment has to be re-tested for the Japanese market. We still have restrictive policies left over from the postwar days when the country was poor.

Hanson: Earlier you spoke of advanced technology research. What are the most promising fields?

Mita: Of course, electronics is the biggest area. Generally speaking, Japanese companies have begun to put more money into basic research. We started with our Central Research Laboratory and now we are opening the Advanced Research Laboratory.

Hanson: Looking at your long-term plans, what kind of sales growth can a company like Hitachi expect?

Mita: Naturally, that depends on the health of the economy. We'd like to hit at least 10% a year on average. Some times we'll do better, some times worse.

Hanson: Over the past ten years your traditional lines of business like electric power haven't expanded as a percentage of sales. Will that trend continue?

Mita: About two or three years ago, plans for expansion of the electric power industry were revised downward and projects delayed. Japan will be able to expand power consumption at about the same rate as the GNP, which isn't very much. But for the electronics field, as technology develops we can develop any number of products, so we are optimistic. But then again, there is the potential of China. That could stimulate demand for everything from home appliances to electric power equipment.

Hanson: How do you see the competition from other developing countries?

Mita: Actually, we worry more about the competition from Europe where exchange rate changes have made the yen strong and traditional electrical equipment makers much more competitive.

Hanson: Do you think that the perceived gap between Japan and the

U.S. and Europe in production technology will continue?

Mita: It is largely a matter of investment. If you spend more you can improve your production. But I think it goes deeper than that into social conditions. In Japan, after the war, we started with a change in the class system. In Europe, the unions are very strong. In Japan, the gap between high and low salaries is fairly small.

Hanson: What is the biggest challenge of being president of a huge company like Hitachi? From the outside, Hitachi seems like a group of very diverse divisions which find themselves under one roof.

Mita: The first priority is people. Finding the right managers for the right job is the biggest task. The next challenge is to make sure that what we've been doing in the past is the right thing for the future. That also means keeping the communications lines open among divisions on a horizontal basis. I have to look at the long term. As our founder said, a man lives for less than 100 years, but he must plan for a thousand.

## The profile and corporate policy of Hitachi Europe Ltd.



Hitachi, Ltd.'s operations in Europe are represented by Hitachi Europe Ltd. in London, and its subsidiary Hitachi Europe GmbH in Düsseldorf, with the exceptions of electronic components and consumer products, which are handled by separate sister companies.

As such, Hitachi Europe's activities (marketing and sales, licensing, and technical support services) cover a wide range of products, including mainframe computers and peripherals, communications equipment, office and factory automation equipment, power and heavy machinery, automobile components, industrial equipment such as inverters and robots, and air conditioners.

Our basic policy is to contribute to European society, as much as possible, by providing Hitachi's high technology products, and also co-operating with European enterprises for mutual benefit. One of the most important roles of Hitachi Europe is to establish a firm bridge of technology exchange between Europe and Japan.

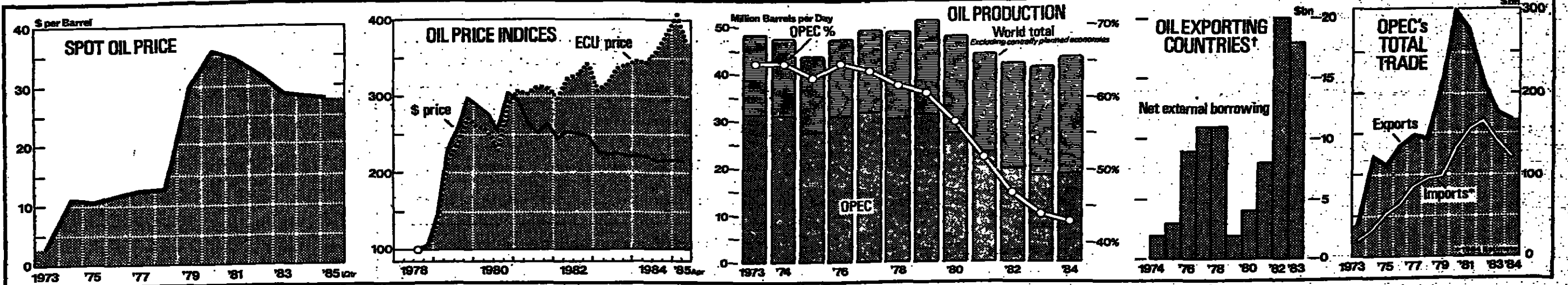
The pursuit of mutual interests has been successful, and we believe, will be maintained and expanded in many forms in the future. Hitachi will continue to meet the ever-changing needs of the society.



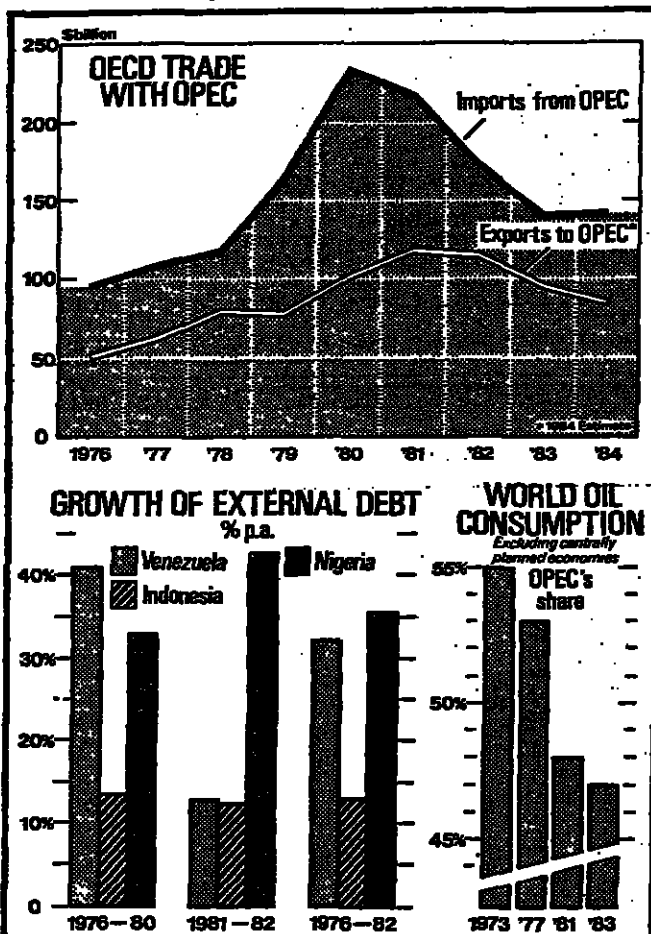
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# STATISTICAL TRENDS : O P E C



## Combination of pressures undermines value of oil revenues



A FURTHER fall in oil prices, while Opec production remains steady, would increase the existing financial pressures on the Opec countries, particularly the poorer members such as Venezuela, Nigeria and Indonesia.

Four factors have combined to push down spot oil prices from the high of around \$40 per barrel reached in 1979-80. These are a fall in the demand for energy, substitution of other fuels for oil, growth in non-Opec production and the strength of the dollar.

Energy consumption in the non-communist countries fell by 4 per cent between 1979 and 1983, recovering only slightly in 1984—a rise of 21 per cent compared with the rise of nearly 5 per cent in real GNP in the industrialised countries. The switch to alternative fuels which started in 1973 has reduced oil's share of energy consumption from 55 per cent to 47 per cent.

World oil production fell from a peak of 51.4m b/d in 1984. Opec production fell even more dramatically from 31m b/d to 18m b/d as non-Opec producers increased their output by 4.6m b/d, leaving Opec's share of production at 43 per cent. The fall in output, together with the fall in price, has halved the value of Opec production measured at spot market rates from \$11m per day to \$500m per day in 1984.

Although prices have fallen in dollar terms, the substantial strengthening of the dollar against other currencies over

the past five years has resulted in the cost of oil to European purchasers rising by 40 per cent.

Thus European and Japanese customers are still under pressure to switch to alternative fuels and to conserve energy.

The Opec countries' substantial current account surpluses of 1979-81 have become deficits, financed by increases in net borrowings. Opec countries together with Bahrain, Brunei, Oman and Trinidad and Tobago increased their borrowing from \$4bn in 1980 to around \$30bn in 1983.

Imports have been cut back, foreign exchange reserves reduced by the richer Opec countries, and bank deposits have been run down. The run down in bank deposits has changed the portfolio structure of Opec's assets from one with a high proportion of cash to one with a greater dependence on less liquid holdings.

Total assets still stand at around \$350bn, sufficient to finance the current deficit level for about 15 years. However, these assets are largely with the richer Opec countries. The accumulated current account surplus since 1973 of the poorer Opec countries is estimated to have reached nil in 1984 and to have gone into deficit in 1985.

The reserves of the poorer Opec countries will now buy fewer imports than in 1973, before the oil price rise.

Three Opec member countries facing particular difficulties are Nigeria, Venezuela and Indonesia. All three increased their foreign borrowings

rapidly between 1976 and 1981, although their debt-to-export ratios compare favourably with other debtors.

Both Venezuela and Nigeria rely almost exclusively on oil for their export earnings; oil accounts for more than 90 per cent of their exports. Indonesia is not so dependent; oil made up only 60 per cent of its exports in 1983, and last year non-oil exports grew by almost 20 per cent.

This difference reflected growth performance. Nigeria has suffered four years of falling GDP, and Venezuela has also had negative growth in the last two years.

Both countries have cut back sharply on imports and Venezuela achieved a higher than expected current account surplus last year. By contrast, Indonesia managed a growth rate of between 4 and 5 per cent over the last two years, but this falls well below the average 7.3 per cent of the last 15 years.

The fall in imports by Opec is reflected in the reduced trade between Opec and OECD countries, which has fallen by nearly 30 per cent since 1981. Opec now represents less than 10 per cent of the export market of most of the industrialised countries.

Current Account \$bn			
Exports	Imports	Trade balance	Current account
1973	21 (27)	22	13
1974	122 (110)	38	67
1975	116 (110)	37	67
1976	138 (120)	72	36
1977	156 (148)	88	28
1978	185 (141)	108	3
1979	221 (208)	107	58
1980	313 (288)	126	117
1981	288 (272)	119	69
1982	222 (230)	118	67
1983	197 (182)	136	65

DEBT INDICATORS			
Gross external debt (U.S.\$bn)			
	1982	1983	1984
Venezuela	35.8	34.0	19.5
Indonesia	27.0	28.2	22.0
Nigeria	13.8	18.2	19.0

POOR OPEC			
Current account			
	1981	1982	1983
Venezuela	61	51	11
Indonesia	62	63	62
Nigeria	62	69	75

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# AFRICAN FARMING

## The lessons of Zimbabwe

By Patti Waldmeir, recently in Harare

ZIMBABWE'S 850,000 peasant farmers have turned conventional wisdom on its head.

Despite the worst drought in living memory they produced a record maize crop last year, proving that it takes more than lack of rainfall to make a famine. Part of the success stems from the effectiveness of Marketing Authority.

While countries throughout Africa are seeing their agricultural base collapse under the combined impact of years of neglect and unparalleled drought, agriculture in Zimbabwe seems to be going from strength to strength.

In 1984, the third successive year of the southern African drought, Zimbabwe's peasant farmers startled agricultural experts by bringing in more than twice as much maize as expected—their largest ever crop of the country's staple food.

And in 1985, as despair deepens in the Sahel and the Horn of Africa, and in Mozambique and Angola to the south, Zimbabwe's peasant farmers are looking forward to delivering a record 600,000 to 800,000 tonnes of maize to the state marketing board in 1985, as much as 10 times the national crop of the country prior to independence in 1980.

At a time when it has become increasingly clear that Africa's only hope of feeding itself lies in boosting smallholder production—when donors have begun to insist on agricultural policy reform by recipient governments as a condition of aid—agricultural experts believe the case for Zimbabwe can offer a number of lessons.

There can be little doubt that luck has had a share, even a major share, in the country's success.

But just as drought alone has not created Africa's famine—economic policies which discourage investment of human and financial resources in the countryside are at least as much to blame—luck alone cannot be enough to avert a disaster.

Zimbabwe's answer has been to elaborate its own peculiar mix of incentives to private enterprise, combined with a reliance on the state to ensure that its impact can be most salutary. While pricing policy is a model of western orthodoxy—consumer food subsidies have been cut and producer prices increased to guarantee peasant farmers handsome profits—Zimbabwe has defied western conventional wisdom on the issue of state interference in marketing.

Governments in the rest of Africa are being told by donors like the World Bank to dismantle state marketing boards or much reduce their scope. Western officials make an exception for Zimbabwe's state-owned Grain Marketing Board, which they concede is highly efficient and serves well the interests of both producer and consumer.

What emerges from discussions with farmers, Government and donor officials alike is that no single ingredient is responsible for Zimbabwe's agricultural success. In the words of the country's brilliant Agriculture Minister, Mr Denis Norman, "Zimbabwe has it all—not only incentive pricing and efficient marketing, but Black Africa's best research and extension services, wide availability of inputs, an expanding credit network—and the locally-produced consumer goods needed to persuade the subsistence farmer to sell his crop for cash in the first place.

At independence in 1980, Prime Minister Robert Mugabe's Government inherited a dangerously lopsided agricultural base, with some 6,000 highly sophisticated white farmers controlling half the country's arable land and 7m Africans struggling to reach subsistence on the rest.

According to Mr Norman, the thrust of Government policy since then has been to try to redress this imbalance by raising the standards of peasant farming without jeopardising the robustness of the white commercial farming sector.

For the peasant farmer, this has meant that many, though far from all, of the inequities of the past have been eliminated. The differential pricing system against African producers prior to independence has been abolished. New grain deposits have brought the purchasing network closer to remote African farming areas.

But farmers and Government officials agree that the single most important improvement in the conditions for peasant farming has been the availability of credit, virtually monopolised by white farmers prior to independence. Finance available to peasant farmers in 1979 was a paltry Zim \$1.5m. By this year, Government had boosted this figure to Zim \$1.54m, and credit was reaching some 80,000 small farmers, up from 3,000 at independence (although critics point out that this is still only 10 per cent of the peasant farming sector).

These changes have been widely welcomed by peasant farmers, who say they have finally been given a chance to compete.

But there can be little doubt that measures such as these, however well-intentioned, are insufficient to turn the Malawi of Africa into grain exporters such as Zimbabwe expects to be this year. The difference is not so much the quality of land—some 85 per cent of Zimbabwe is reckoned to be unsuitable for cultivation—but the fact that, independent Zimbabwe is not a typical developing country.

While shortages of foreign exchange to pay for imported fertiliser constitute a major constraint for agriculture in Zimbabwe, the country has raised by an independence war fought largely over the issue of land have been largely disappointed.

Meanwhile, Zimbabwe's population continues to double every 20 years (one of the highest growth rates in the world), and the peasant farming sector, damaged down by overgrazing and overcultivation in peasant areas continues to spread, destroying the very base on which Zimbabwe must build to ensure that no future drought turns to famine.



## UK NEWS

## Tokyo seeks to solve securities houses issue

BY DAVID LASCELLES, BANKING CORRESPONDENT

SENIOR government officials from the UK and Japan are to hold talks on economic and financial issues in London today at which the Japanese are expected to raise the vexed question of obtaining banking licences for their securities houses in London.

A resolution of the problem seems unlikely at the meeting - the latest in a regular series - since the British side will emphasise that the issue is not a matter for negotiation but one of principle.

The UK side will be led by Mr Geoffrey Lither, second permanent secretary at the Treasury, and Mr Douglas Dawkins, assistant director of financial supervision at the Bank of England.

The Japanese, who are travelling on from the Bonn economic summit, are led by Mr Tomomitsu Oba, vice-minister for international affairs at the Ministry of Finance (MoF).

The three points on the agenda are a follow-up to last autumn's talks in Tokyo, where the two sides discussed their reciprocal interest in each other's financial markets, a review of progress on the liberalisation and internationalisation of the yen, and a general exchange of

views on economic and financial matters.

As a prelude to the talks, the Japanese sent a letter to the Bank of England laying out proposals to overcome the Bank's refusal to grant banking licences to the securities houses, which is based on the fact that the houses are not supervised as banks.

The MoF is believed to have proposed that the houses be supervised by its Banking Bureau, which is also responsible for Japanese banks.

The Bank of England has not indicated what its reaction to the letter is. It is, however, adopting the position that the licences cannot be traded for greater access by UK banks to the Japanese market, even though that is a British aim.

The Bank also wants to be convinced that the securities houses - Nomura, Daiwa, Yamaichi and Nikko - need a banking licence, other than for funding their securities operations more cheaply in the banking markets.

UK banks are keen that the UK should make the most of the Japanese eagerness for licences to wrest reciprocal advantages for them in Tokyo, where the barriers to foreign entry remain formidable, despite recent liberalisation.

## New Land Rovers to have V8 engines

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LAND ROVER, BL's four-wheel drive subsidiary, puts the finishing touches to its £200m five-year model renewal programme today by launching a more powerful version of the new Ninety, a short-wheel base model, by installing its V8 engine in them.

The company is also adding to its pool of standard components a five-speed gearbox which it will buy from Spain.

The 3.5-litre V8 Ninety model should take Land Rover deeper into the recreational and leisure market, a sector opened up and stimulated by the Japanese with vehicles like the Nissan Patrol, Toyota Land Cruiser and Mitsubishi Shogun.

It is the first time that the company has installed the 302cc V8 engine, first used in the Range Rover, in a short-wheel-base Land Rover. The V8 boasts the power to 114hp to give a 50 per cent better performance both off and on the road than models using the four-cylinder petrol or diesel engines, Land Rover claims.

The aluminium-alloy V8 engine is light enough to leave the potential

payload unaffected at a maximum of four tons.

The V8 is mated with an all-synchromesh gearbox called the LT85 which was designed by Land Rover in Britain but never put into production. The unit has been built and used by Land Rover Santana of Spain, in which the UK company has a 49 per cent shareholding.

Land Rover will buy the gearbox from Santana and use it not only as a standard fitting in V8 versions of the Ninety but also in the long-wheel base One Ten when the V8 is the power unit.

The LT85 gearbox is matched with Land Rover's LT230 twin-ratio transfer box so that for the first time V8 Land Rovers have 10 forward and two reverse gears.

The improved on-road performance, where Land Rover claims the V8 Ninety can compete with modern saloon cars in acceleration and cruising speed, should attract more private customers. The company expects to build about 100 a month, or roughly 10 per cent of total Ninety sales. However, about 80 per cent of V8 Ninety customers will be new to the marque.

## Builders pessimistic on prospects for growth

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE OUTLOOK for the building industry remains gloomy, according to a survey by the Building Employers' Confederation (BEC). The survey was carried out at the time of year when builders are normally most confident.

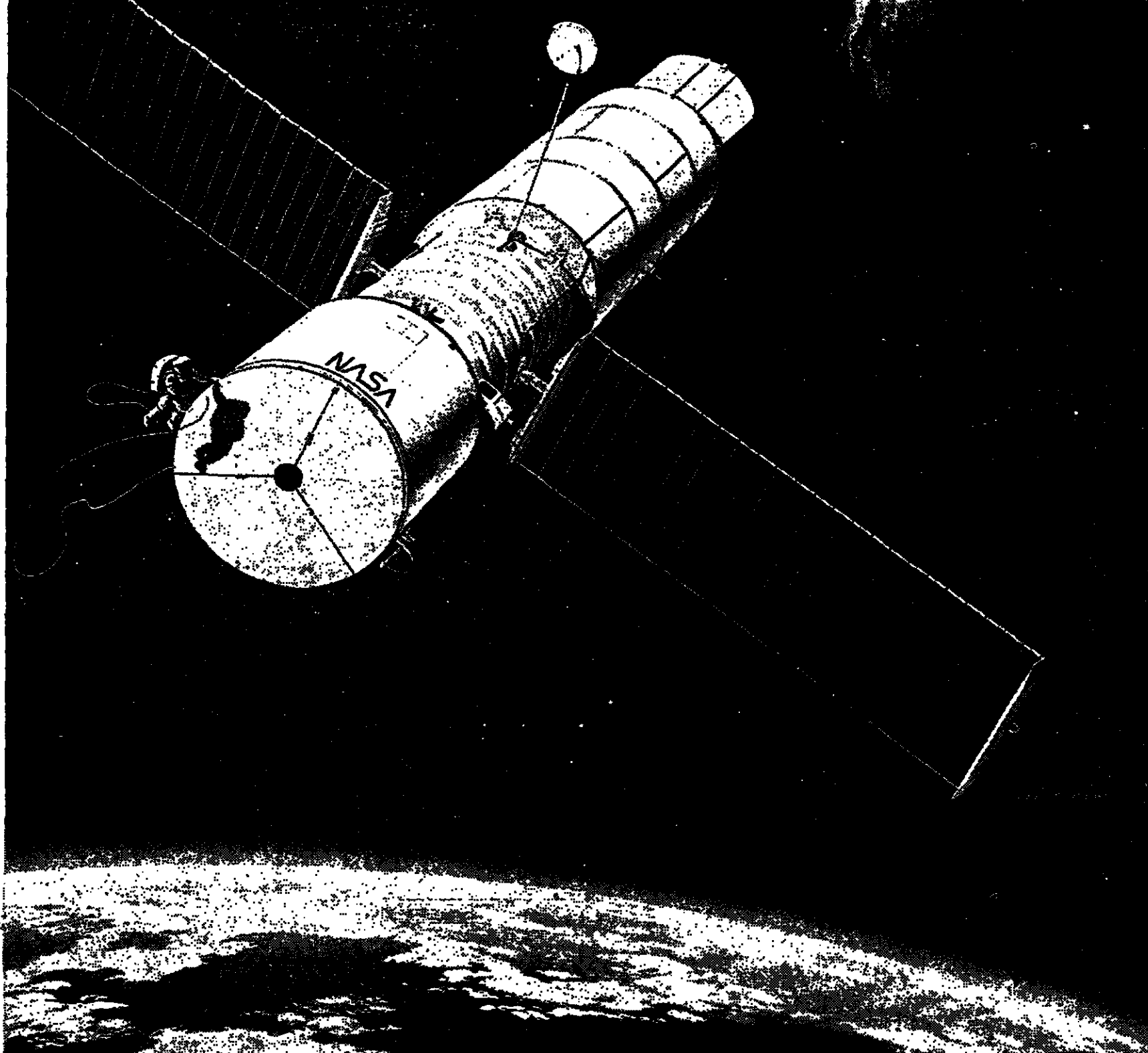
According to the survey - based on a sample of 500 BEC member companies throughout the country - only 20 per cent of Britain's building companies are working at full capacity and 45 per cent are receiving fewer inquiries for work.

"There is no sign of growth in work prospects in any sector, with

even private, industrial and commercial building flat and the public sector, in particular, remaining extremely depressed," the BEC says.

The survey shows some signs of optimism in that 40 per cent of companies reported that they expected to achieve higher output this year, compared to the 26 per cent that expected output to fall.

The BEC emphasises that this optimism is not evenly spread throughout the country. "Any recovery is concentrated in the south-east of England, while other regions remain depressed."

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the configuration of the observatory and investigate system requirements, including physical and operational designs, for this innovative x-ray imaging instrument.

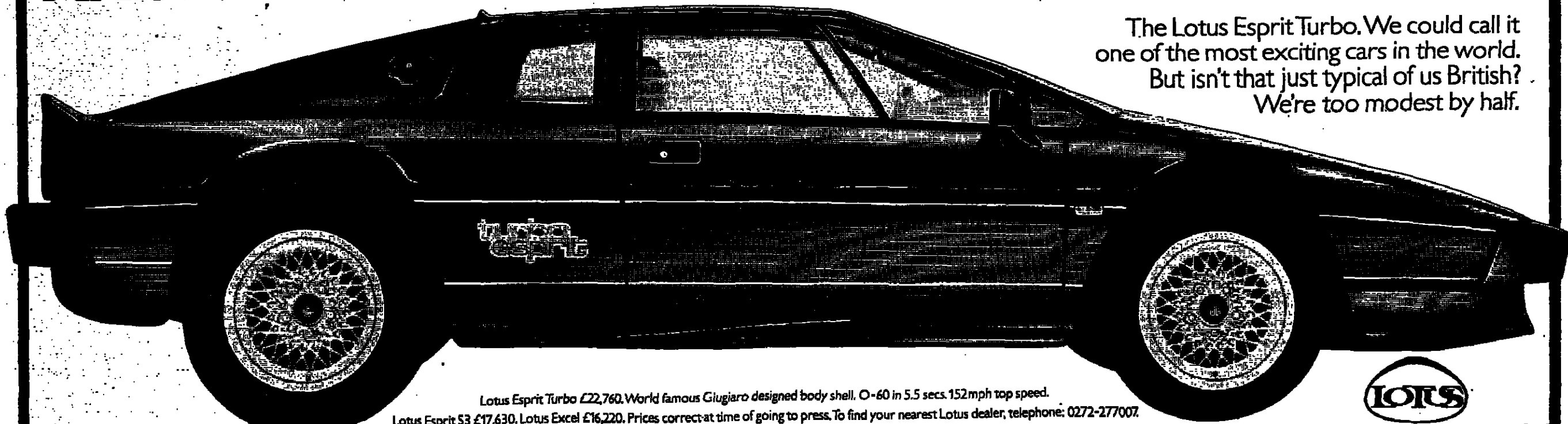
Lockheed is completing work on a similar program, the Space Telescope, which will be the largest deployable spacecraft ever placed in orbit. Lockheed engineering teams also developed the new technologies for the suc-

cessfully tested Solar Array, which could supply sufficient energy for extended Earth-orbit scientific or military missions, and for ventures such as the proposed manned Space Station.

The expertise provided by programs such as these, along with Lockheed's established position in space technology, makes it a logical leader in long-term space projects of the next century.

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## UK NEWS

## Britain launches bid to attract biotech companies

BY DAVID FISHLOCK, SCIENCE EDITOR

A CAMPAIGN to attract to Britain biotechnology companies seeking to manufacture genetically engineered products and other innovations has been launched by the Department of Trade and Industry (DTI).

The department's biotechnology unit in London is spearheading the campaign to find new manufacturing opportunities among overseas companies that might be assisted by the department's aid for innovation.

Genetics International, a U.S. company, has already been helped to set up production of novel sensors and biosensors in Britain.

The more successful of the small biotechnology research companies launched in the past few years, especially in the U.S., have begun to seek manufacturing outlets in Europe.

The DTI team is also trying to attract larger international companies with new biotechnology products to Britain.

Its biotechnology unit believes Britain can make out a good case, partly because it has a fairly rational regulatory system for new health-care products, compared

with many other European countries. G.D. Searle and Eli Lilly, for example, have already developed and launched genetically engineered products in Britain.

Another attraction to companies is the strong scientific base provided by British universities and government laboratories.

The department's biotechnology unit, set up two years ago as a "think tank," has on its staff industrial scientists, seconded by companies such as ICI, British Petroleum, and Glaxo.

So far, it has approved the £3.1m investment on 87 projects proposed by companies in Britain. About £3.4m was spent in 1984-85, and spending is expected to be higher this year.

One area of biotechnology investment being reconsidered by the unit is waste treatment, where it has invested in three novel British pilot plants and 20 consultancies, at a cost of £280,000.

Companies that propose the pilot projects are showing no sign of wishing to take them to the next stage of a demonstration-sized plant, the unit says.

## Robotics group fails owing over £2m

Financial Times Reporter

PENDAR, a Somerset-based manufacturer of robotics and control systems, has collapsed owing shareholders and creditors more than £2m.

Nearly three years ago, when it opened a factory in Ebbw Vale, South Wales, Pendar said it aimed to become one of the world's top five robot makers. But it ran into difficulties over both sides of its business.

Realisable, unpledged assets of the company amount to only £34,000, while unsecured creditors are owed £200,000. Sales for the year to end-November 1983, the last for which there are figures, totalled £1.2m and the group lost £274,000. Its first robot was made in June 1982, selling for £13,000, and an electrically powered successor followed in September.

Pendar formed its robotics subsidiary in 1981, having previously operated as a materials testing and contract engineering consultancy.

The Welsh Development Agency called in Price Waterhouse as a receiver to Pendar Robotics on March 18. Thornton Baker was appointed liquidator for the rest of the group on April 22.

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## UK NEWS

## Cabinet under pressure over pension reforms

BY PETER RIDDELL, POLITICAL EDITOR

THE CABINET will discuss on Thursday alternatives to the present state earnings-related pension scheme - the most controversial part of the current social security review - in the face of a mounting campaign of protest.

Mr Roy Hattersley, Labour's Shadow Chancellor of the Exchequer, yesterday claimed that a national consensus would form behind the party's campaign. He said that abolition would mean "certain and massive defeat" for the Government at the next general election and would "diminish the pension rights of a majority of our people - leaving a pension which corresponds to working income as once more the privilege of the rich and secure."

Some Cabinet ministers are concerned about the political and electoral implications of the review. While there appears to be general Cabinet agreement on the abolition, or substantial modification, of the

present scheme, there are doubts about the nature of its replacement. Mr Norman Fowler, the Social Services Secretary, will come under pressure to give clearer guarantees and projections about the private-sector alternatives in the form of portable pensions and occupational pension schemes.

That is distinct from the debate between the Treasury and the Department of Health and Social Security about the short-term public borrowing costs of any change. Both are agreed on the desirability of ending the present scheme.

During a radio interview on Sunday, Mrs Margaret Thatcher, the Prime Minister, said she wanted "people to have the right to property, to have a chance to have an occupational pension scheme. That was a great prestige symbol. More are doing so than ever before."

Some ministers are worried that unless the alternatives are made clear, the opposition parties will be

able to force the Government on the defensive by arguing that over 11m workers will suffer.

Mr Hattersley yesterday sought to emphasise the breadth of opposition to abolition by comparing it with the consensus which, he said, had developed over unemployment.

He accused the Prime Minister of seeking to break the all-party agreement on pensions reached in 1975.

Similarly, the Liberal/Social Democratic Alliance leaders have said changes should be only on the basis of all-party talks. However, there is some disagreement within the Alliance leadership about the alternative they should offer.

The Government also faces difficulties in view of its setbacks in last Thursday's local elections and ahead of this week's Scottish Conservative conference, where strong criticisms of the recent rates (property tax) revaluation in Scotland is expected.

## Policy for state sales condemned by TUC

By Philip Bassett

THE TRADES Union Congress (TUC) is calling for a parliamentary investigation into the Government's privatisation programme in a report which is deeply critical of the City of London's role in privatisation and the profits made from it.

The TUC's document, published today, analyses 15 of the biggest sales of public assets since the Government came to power, including the privatisation of Amersham International, BP, British Telecom, Britoil and Cable and Wireless.

It concludes: "The asset sales policy has been a national disgrace, benefiting nobody but City investors and a handful of others in a position to make a killing out of undervalued public assets."

These conclusions dominate the report.

Share prices. The TUC argues that "in nearly every case of privatisation so far, public assets have been substantially undervalued." It says that on fixed-price share offers, the Government has lost at least £1.4bn.

City sale fees. The TUC says that the fees City institutions have received amount to at least £128m. It argues that these fees are excessive and appear to bear no relation to whether the sale has succeeded or failed.

Fee information. The TUC charges that neither the Government nor the City are revealing the true extent of the fees being paid.

Share control. Although the Government says that privatisation will open new companies to small investors, the TUC's report argues: "All the evidence suggests that the big financial institutions quickly acquire control of privatised companies."

Company success. The report denies suggestions that privatisation would make unprofitable concerns more profitable, arguing that every enterprise examined by the TUC was successful before being privatised.

Conservative links. The TUC examines links with the Conservative Party between financial advisers or lead underwriters in privatisation deals.

Stripping Our Assets. TUC, Congress House, Great Russell Street, London WC1E 2E.

## Satellite TV chiefs get programming ideas off the ground

BY RAYMOND SNODDY

TENTATIVE agreement has been reached on what should be shown on three new television channels if Britain's direct broadcasting by satellite (DBS) project ever gets off the ground.

Outline schedules have been decided by Mr David Flawright, managing director of Granada Television and chairman of the Independent Television Companies' Association, and Mr Bill Cotton, managing director of BBC Television and head of the DBS consortium team.

The proposals still have to be discussed with the 21 members of the DBS consortium. But the fact that the talks took place at all is an indication that, despite increased uncertainty, the Government has caused by setting up the Peacock committee to look at the possibility of the BBC carrying advertising, senior broadcasters want to save the DBS project if it can be made viable.

Under the proposals, the first DBS channel would combine recently-released films with first-run American mini-series such as "The Thorn Birds" and "The Winds of War" before they are shown on conventional television. The second channel would be dominated by coverage of live sporting events and news 24 hours a day.

The third channel would screen non-stop game shows, soap operas and, if the technology permits, bingo.

This week, prospective participants will focus on a series of meetings and developments which happen to coincide and will probably be made or break for hopes of getting the project moving.

More than 18 months of talks have still failed to produce a concrete decision, while the French forge ahead towards their DBS launch scheduled for July 1986.

Perhaps the most significant development this week will be the announcement that Ferranti has decided to take a 30 per cent stake in Britsat, the British company that is offering RCA satellites to the UK consortium.

Britsat has promises of finance from a British clearing bank and an international commercial bank with experience of satellite finance. It has a draft fixed price contract with RCA with severe financial penalties

if the American company does not deliver on time.

Yet Britsat has been in the political wilderness because of an undertaking given in the House of Commons last year by Mr Leon Brittan, Home Secretary, that the consortium would use satellites produced by Unisat, the British Aerospace, GEC-Marconi, British Telecom company.

The DBS consortium consists of the BBC, the ITV companies, Thorn EMI, Granada, TV Rentals, S. Pearson (publishers of the Financial Times), the Virgin group and Consolidated Satellite Broadcasting. It believes that Britsat's prices are at least £130m less than Unisat on comparable technology. The difference, they argue, makes the project unviable.

The decision by Ferranti, which is interested in developing the market for DBS receiving equipment, is being seen as a vote of confidence in Britsat's technology.

Ferranti will probably be followed into Britsat by Elexra, the UK's venture capital fund. They would reduce the "Americanism" of Britain's project and increase the Government's dilemma.

If the Government continues to insist on British satellite technology, even if the prices threaten to destroy the whole project, it could be undermining the British electronics industry as represented by Ferranti.

It is believed that RCA is prepared to include as much British content as possible in the project and that talks on British contributions to the RCA satellite payload are continuing with a number of UK companies.

The issues come to a head this week, but there has been little indication so far that the Government understands either the urgency or the fundamental importance of the decisions to be taken.

About 20,000 potential jobs involving everything from manufacturing DBS receiving equipment to its installation and maintenance could be at stake.

At one stage Britain looked as if it were in the lead in developing this new industrial product; now while Britain delays Japanese electronics companies are looking at the potential European market with interest.

## Tories suffer in local elections

BY OUR POLITICAL EDITOR

EVER SINCE last Thursday's local elections to the 47 non-metropolitan county councils in England and Wales, there has been a baffling array of claim and counter-claim about which party did best. The election resulted in no party having overall control in no fewer than 26 counties.

It is not even clear which party won the most gains. This is because of boundary changes in well over a third of the councils which make exact comparisons impossible. However, if the total number of seats in England before and after the elections are compared, the Liberal/Social Democratic Alliance emerges the main winner, up over 260 to more than 600, with Labour down roughly 100 and the Tories declining by nearly 180.

Yet on other assumptions Labour looks to have emerged in the best light, with the Alliance, though doing very well, still just short of a large-scale breakthrough. Moreover, plenty of governing parties have suffered far worse mid-term election results than the Tories.

The confusion is illustrated by projected results in a hypothetical

general election, ranging from 302 to 337 seats for Labour, against 208 now. That is the difference between a hung parliament and an overall Labour majority. Conservative support is put at between 231 and 265 seats, against 385 now, with the Alliance between 26 and 68, compared with 24.

The differences arise from varying ways of interpreting the results. Some analysts have looked at a small number of seats, sometimes only a dozen or so. These tend to be where the battle is polarised between Conservative and Labour.

The broadest survey, based on results in over 300 wards in 39 constituencies, gives about 337 seats, against 250 for the Tories and 39 for the Alliance. This analysis, carried out by Dr John Curtice of Liverpool University and Dr Clive Payne and Dr Robert Waller of Oxford University, shows that Labour would have done particularly well in the "target" seats it would hope to capture from the Tories.

Other analysts have worked on the basis of total votes cast last Thursday. Even here caution is necessary, since Labour fought 500

seats more than the Alliance and there were a large number of independent candidates in Wales.

The Conservative share of the vote seems to have fallen by about 10 to 11 percentage points compared with the 1983 general election. The Labour share has risen by eight to nine points and the Alliance share has increased by between one and two points.

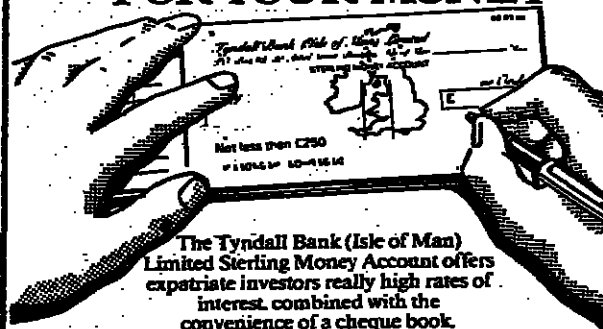
The analysis is agreed that Labour has staged a considerable recovery in traditional marginal seats, especially in the English Midlands and parts of the south-east, while the Alliance has achieved the best third party performance in any national election for more than 50 years.

The Alliance has gained almost exclusively at the expense of the Tories and has fallen back since 1983 among former Labour voters. The Social Democrats' original hopes of replacing Labour in traditional industrial and working-class seats now seem far-fetched.

A final qualification, as Conservative leaders point out, is that local elections are not necessarily a good guide to general election results.

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## UK NEWS

## LEGISLATION ON SHOP HOURS EXPECTED IN AUTUMN

## Sunday trading impact 'small'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE IMPACT of Sunday trading is not likely to make major changes in costs, prices or jobs in the retail sector, according to two surveys published today.

The two surveys - from the Institute of Fiscal Studies and the Federation of Multiple Do-it-Yourself Retailers - suggest that there "will be no rush to throw open shop doors" and "family life will not be disrupted" when lawful Sunday trading is allowed. At present, most forms of it are illegal in England and Wales.

Mr Leon Brittan, the Home Secretary, is expected to announce within the next two weeks that the Government will push ahead with

legislation in the autumn to abolish restrictions on shop opening hours.

According to a poll carried out for the federation, only 16 per cent of shops in Scotland open on a Sunday, even though Sunday trading has been legal in that country for some years. "This is a clear indication that when shops are allowed to open on Sundays, they respond only to demand and do not open simply because other shops do so," said Mr Malcolm Parkinson, managing director of B&Q do-it-yourself chain and a spokesman for the federation.

According to the Institute of Fiscal Studies, the impact of Sunday opening on employment is likely to

be extremely small. "Our forecast of a small reduction in the long term, which seems unlikely to exceed 1 per cent of total retail employment, holds true," it says. "However, if Sunday trading led to a 2 per cent sales increase, 22,000 additional jobs would be created in the short term and 9,000 in the long term."

Opening all existing shops on a Sunday would, on average, increase retailers' costs by about 3 per cent of turnover, the institute forecasts. But it points out that although costs would increase in the short term, "Sunday trading is not expected to affect shop prices to any significant extent."

## British Gas in swap deal with Tricentrol

BY DOMINIC LAWSON

THE British Gas Corporation and Tricentrol, London's favourite oil company takeover target, are negotiating an oil-for-gas swap in the UK worth about £40m.

The main part of the deal involves swapping British Gas's half share in the 10m barrel Wytch Farm oil field in Lincolnshire for Tricentrol's 25 per cent stake in the Godley Bridge gas field in Surrey, far and away the UK's largest onshore gas discovery.

Tricentrol will also throw in part of its 30 per cent stake in the Amethyst gas field, which lies in the North Sea, 22 miles off the East Anglian coast.

Oil-for-gas swaps are most unusual in the UK, but both sides to the deal have pressing reasons for wanting such an arrangement.

The UK Government does not want British Gas to be in the oil production business, and requires the corporation to dispose of any oil it discovers.

This was the reason behind British Gas's forced disposal of its half share in the Dorset Wytch Farm oil field to a consortium of oil companies last year. That consortium was led by Tricentrol, which has built up a good relationship with British Gas.

Last year the Government approved plans by BP to develop the onshore oil field at Wytch Farm in Lincolnshire, the first onshore oilfield to get approval since Wytch Farm in 1976. But rather than sell its half share, as in the case of Wytch Farm, British Gas decided to get something in return.

Tricentrol's problem is that it will be short of oil production in the next few years, which it needs to finance projects which will require development in the rest of the decade. So it has been scouring the industry for deals which will give it early oil production.

The Godley Bridge and Amethyst discoveries are still undeveloped, but the Wytch Farm field will be producing at its plateau of 2,500 barrels-a-day late this year.

Neither British Gas or Tricentrol will comment on the negotiations, but oil analysts say that it is the type of deal that Tricentrol must do if it is to deter potential bidders.

The Government's decision to privatise British Gas is not thought to affect the deal, since the sides would conclude negotiations long before shares in British Gas are offered to the public.

## CBI seeks changes to council spending rules

BY ANDREW ARENDS

THE Confederation of British Industry (CBI) has called on the Government to change the rules governing local authority capital spending to allow councils which make efficiency savings on administration and current expenditure to spend the money on capital projects.

The CBI, in a submission to Mr Patrick Jenkin, Environment Secretary, has joined other critics of the present systems of controlling local authority capital spending.

Sir Tereasa Beckett, director general of the CBI, said: "We are aiming to squeeze more value out of the millions of pounds that councils collect from business and domestic ratepayers."

Business paid nearly 50 per cent of total rates, he said, and had a right to see it spent efficiently.

The CBI wants to see these savings spent on projects to improve the quality of life, such as better roads, improved sewerage schemes and the clearance and restoration of derelict land.

"Over the last decade, less and less money has been spent on the basic infrastructure, which has continued to decline seriously," Sir Tereasa said.

The CBI submission maintains that a switch of 2 per cent of current expenditure could increase local authority capital expenditure by around 20 per cent without government borrowing being affected.

## Legal sabres rattle over more losses at Lloyd's syndicates

"I THINK we shall see them in court," said Mr Keith Whitten, an underwriting member who faces £105,000 worth of losses from his involvement with disaster-struck Lloyd's insurance syndicates under the management of interests of Minet Holdings, the insurance broker.

Mr Whitten is a member of a steering committee of worried underwriting members that has been formed to try and find out why they and 1,500 others have suffered £100m of losses over two years. Lord Goodman, one of Britain's leading lawyers, has been appointed honorary chairman of the committee, which has appointed accountants Price Waterhouse to open up the files.

The independent action of the underwriting members so far is supported by a fighting fund of £37,500 provided by contributions of £250 a head from 150 angry individuals. Last week, Price Waterhouse was going through the records at Minet's Richard Beckett Underwriting Agency in Hampshire, in an effort to find out what has gone wrong.

Mr Raymond Pettitt, Minet's chairman, announced his group's results in London, saying: "I express my own regret that names are faced with losses." He said, however, there would be no support for them from the Minet group; they would have to meet their losses.

There has been nothing quite like the Minet affair at Lloyd's. Nearly three years ago, when the troubles first surfaced, it appeared that £40m had been channelled out of the funds belonging to the 1,500 underwriting members, who include the Duchess of Kent, Mr Adrian Khashoggi, the Middle East businessman and Mr Peter Miller, chairman of Lloyd's. Mr Ian Hay Davison, Lloyd's chief executive, re-

John Moore examines efforts by worried underwriters to discover the reasons for £100m of losses in the last two years.

cently described what had happened as "plunder."

The money found its way into the pockets and business ventures of two key Minet underwriting executives, Mr Peter Cameron Webb and Mr Peter Dixon, and their associates. Minet's investigations into the affairs of the Richard Beckett Agency showed that the money had been spent on a villa in Cap Ferrat, France, yachts, executive jet aircraft, a stake in the Swiss bank, Banque du Rhône et de la Tamise, two films ("Let's do it" and "The Last Horror Show"), two oil fields and a gas field in Oklahoma, a French orange juice company, a Dutch hi-tech company, two racehorse syndicates in Kentucky and a large stake in Nilton, a small British public company.

When the full scale of the money that had gone missing had been quantified last year it also appeared that the underwriting members faced £40m in trading losses.

Minet rallied round and organised a compensation payment to the members whose funds had gone missing. It was not a popular move. Members accepted, but they accepted grudgingly. Members, in return for accepting the payment, had to waive their legal rights against any parties to the affair and assign them to a joint company owned by Minet and Alexander Howden, another insurance broker.

When they accepted the compensation deal last year, which they used to meet the underwriting losses, they expected that would be

an end to the matter. Now other underwriting losses have emerged, amounting to £90m that might lead to individuals facing a further payout of up to £500,000 or more each.

This time Minet is taking a tougher line. The Richard Beckett Agency is to stop operating at the end of the year; the underwriting members will have to find other agents to supervise their affairs.

The losses facing the syndicates are the largest ever in money terms that have fallen on a small group of insurance syndicates. The Lloyd's membership is composed largely of private individuals who pledge the entirety of their capital to allow the Lloyd's market to function. In the event of large losses they are liable to the full extent of their wealth. If they cannot meet their liabilities Lloyd's has a central fund - now standing at £134m - which is brought into action to protect the interests of policyholders.

Lloyd's once mounted a market rescue for the stricken syndicates led by Mr Frederick Sasse when that syndicate faced £20m of losses, but it has no intention of repeating the exercise. It argues that the concept of unlimited liability would be compromised.

The next stage in the affair is the legal campaign being prepared by the steering committee of anxious underwriting members. They argue that Minet and the agency must have known of the position last year and allege that there has been misrepresentation. They will seek to have the agreement waiving their legal rights rescinded by the courts and intend to take action against a number of parties.

Minet has set aside about £5m to defend itself in any future litigation which it will defend "vigorously," said Mr Pettitt. Mr Whitten commented: "We shall fight equally vigorously."

## £25m plan to redevelop dockland

BY NICK GARNETT, NORTHERN CORRESPONDENT

A £25m plan to develop half of the virtually derelict dock complex at the head of the Manchester Ship Canal has been revealed by Salford city council.

The scheme, to allow for commercial, housing and leisure development, follows the decision last year by the ship canal's management to close the upper reaches of the canal in 1987. Various schemes are being considered to keep the canal open.

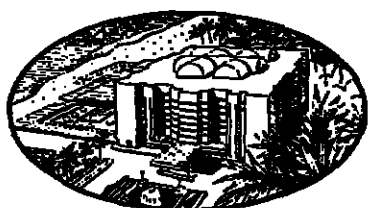
The project for the docks is designed to help revitalise a city which, with unemployment at 17 per cent, includes some of the most deprived and environmentally blighted areas in the UK. It is one of a number of dock development schemes - there are others in London, Liverpool, Hull and South Wales - which are seen as a method of bringing life back to urban areas bypassed by structural changes in

trade and industry.

The Salford scheme - prepared by architects Sheppard, Ffstein, Hunter - covers four of the ship canal's nine docks. The estimated cost of public sector infrastructure work is £25m and excludes the cost of private development which the council wants to attract. A 150-bedroom hotel is under construction for British Caledonian alongside the docks.

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## UK NEWS

### INSURANCE

# Life brokers voice fears for the future

BY ERIC SHORT

THE FUTURE of the recent annual conference of the British Insurance Brokers' Association (BIBA), held for the first time in the City, was the place of the insurance broker in the community.

However, while concerned most provincial brokers attending the conference was the place of the life and pensions broker in the Government's plans for investor protection.

An auxiliary conference held just before the main conference had discussed the future of the life insurance broker. The feeling of the main conference, after it had heard the speech of Mr Alex Fletcher, Minister for Companies and Consumer Affairs, was that the life broker had very little future.

Behind this gloom lies the Government's White Paper on Investor Protection, which would require registered insurance brokers and other independent intermediaries to disclose the commission they receive for marketing life and pension products—a reasonable requirement at first glance, since all other independent intermediaries are required to disclose their commissions or fees.

However, under the White Paper proposals, life salesmen classified as tied agents will not have to disclose their commission payments, providing they state that they are tied to a company when selling life and pension contracts.

The argument for this exemption is that an independent intermediary needs to show to his client that his choice of life company is not being influenced by the commission being received. A tied agent, being the representative of one life company, is not so influenced. Mr Fletcher repeated this argument in his address to BIBA delegates.

The growth of the tied agent in recent years is causing considerable problems in UK life marketing. No one has properly defined what a tied agent is, but basically he is a life salesman who, in return for placing all available business with one company (to which he is tied), receives financial payments and incentives on top of his commission, such as accommodation, postage, stationery and secretarial payments.

In effect, the tied agent is an employee of the life company even though he is not on the

payroll, and the White Paper treats tied agents as such.

However, the current situation is much more complex. Many life companies do not have the power to tie an agent for all or even the majority of his business. These days many agents are tied to several companies and get the necessary financial help beyond commission payments provided they give the company a significant part of their business. If the life company tries to tie the agent more closely, he simply switches his business elsewhere.

Hambro Life Assurance, now part of BAT Industries, and pioneers of the tied agency system, has recently introduced a scheme of guaranteed payments to its sales force in return for an undertaking for five years that they will not set up elsewhere, taking all their clients for five years.

Delegates at the BIBA conference questioned Mr Fletcher closely on the Government's attitude to tied agents, in particular the need to define who qualifies as a tied agent. At present it is a self-selection process.

He said the White Paper proposals were not the Government's last word on the subject of investor protection, but the views of brokers should not be made to the Marketing of Investments Organisation Committee, whose chairman is Mr Mark Weinberg, chief executive of Hambro Life.

This statement caused gloom for two reasons. First, Mr Weinberg, in interviews with the Financial Times and elsewhere, has said the main purpose of MIBOC is to implement the White Paper, and it is not a policy making body. So the statements of Mr Fletcher and Mr Weinberg, each referring complaints to the other, is seen by insurance brokers as buck-passing.

Secondly, insurance brokers have complained that the composition of MIBOC is heavily weighted in favour of tied agents, even though BIBA's chairman, Mr Dickie Alexander, is on the committee.

Life brokers, especially smaller provincial brokers, are looking to the life companies which market mainly through independent intermediaries to fight their case for them—a sad reflection of the function of BIBA.

### THE WEEK IN THE COURTS

# When one person's liberty is another's constraint

THE RUMBLING controversy within the councils of the National Council for Civil Liberties has at least helpfully riveted public attention on the crucial passage in the interim report of the Independent Inquiry set up by NCCL on the miners' strike, in which the authors equated, without apparent qualification, the collective right of NUM members to strike and of individual miners not to strike. The failure to analyse such "rights" has demonstrated how careful civil libertarians seem to be in their assessment of competing fundamental freedoms.

No one seriously doubts nowadays that the individual worker can properly withdraw his labour even though he breaks his contract of employment in doing so. Although the European Convention on Civil Rights does not specifically guarantee the right to strike it does so implicitly in guaranteeing freedom of association, with its attendant right to take action through the enforcement of the rules of the trade union, by virtue of which members agree to abide by collective decisions.

(By contrast, article 8 of the UN Covenant on Economic, Social and Cultural Rights, 1966, which the United Kingdom has ratified, expressly guarantees the right to strike.)

By adhering to the rules of

trades union membership, the individual union member foregoes any personal freedom in favour of the wishes of the majority to exercise the ultimate industrial weapon of massive withdrawal of labour, peculiarly effective where the employer has adopted a closed shop.

The right to strike is an acknowledgement of the human right of free association, designed to promote social and economic justice for the benefit of like-minded and collectively interested individuals. If the international instruments of human rights do now, however, specifically preclude the right to strike-break, there are two aspects of these conventions that are highly relevant.

First, there is the individual right to choose how one conducts one's own life. There is no right to be employed, but the individual may choose either to be self-employed without hindrance from others or to be employed by another, with the concomitant legal and moral duty to perform his contractual obligations.

In the litigation earlier this year between the working miners in South Wales and the officers of the South Wales area of the NUM, Mr Justice Scott upheld individual miners' rights in English law to go to work without being subjected to

intimidation or harassment. These working miners could, had they chosen, have formed a breakaway association whose rules of membership might collectively have called upon members to perform their contracts of service with the National Coal Board.

The fact that those who daily attended their collieries for work did so individually and not as a result of any group decision ought not to detract from the nature of their individual fundamental rights. To contend otherwise would be to claim that the collective right to break individual contracts and come out on strike is more fundamental than the right to perform one's own contract and thereby break the strike.

The argument that it is more fundamental must rest on some higher social value in collective action to strike over the individual's right to carry out his personal obligation to work. The argument is then reduced to the priority of egalitarianism over individual liberty. It is the socialists who believe that egalitarianism must prevail: English law favours liberty.

Industrial action in the form of a strike is effective only to the extent that its organisers can enforce it so as to maximise the disabling power with a view to producing a settlement with

employers. Picketing at the workplace by no more than a handful of strikers—six is the number picked by the Code of Practice endorsed in recent legislation—is to permit peaceful persuasion of those who want to go to work.

The law does not countenance any enforcement of the fundamental right to strike by restricting in any way the individual's right to perform his contract of employment. Whatever trades unions may do by way of disciplining members who disobey the rules of membership, the law always encourages the principle that individuals should perform their contracts. Indeed, the untrammelled right of an employer to accept a collective repudiation of contract of employment imposed by trades unions and to effect a lockout or even discontinue its business is recognition of the law's desire to assist the employer in his efforts to maintain the uninterrupted flow of labour.

Furthermore, conventions on human rights have, perhaps questionably, interpreted the guaranteed freedom of association, upon which calls for strike action by trades unions depend, as including a freedom not to join a trades union. Thus the European Court of Human Rights has declared that the closed shop is a breach of the

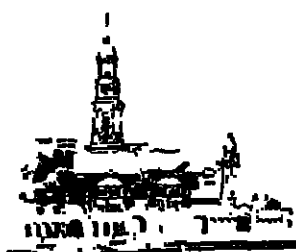
individual's right to employment without a condition of union membership being imposed. There are, of course, the individual trades union member's contract with his fellow members to adhere to union decisions, breach of which may result in the loss or suspension of union membership, or perhaps only a fine.

All that the authors of the NCCL report on the miners' strike were seeking to do was to point out the limitations upon strikers who desire, not unreasonably, to ensure the optimum effect for their industrial action. To observe the activities of pickets which went beyond the permissible legal bounds of peaceful persuasion the individual trades union member more than to note the necessary qualifications on the right to strike in a democratic society sensitive to individual human rights.

The mistake (if mistake it be) was failing to spell out and assess adequately these competing interests. The final report should rectify the error that has precipitated the current crisis in civil liberties circles. No longer should any interested observers be justified in echoing the jibe once offered by a judge that the NCCL is a council for the taking of liberties.

Justinian

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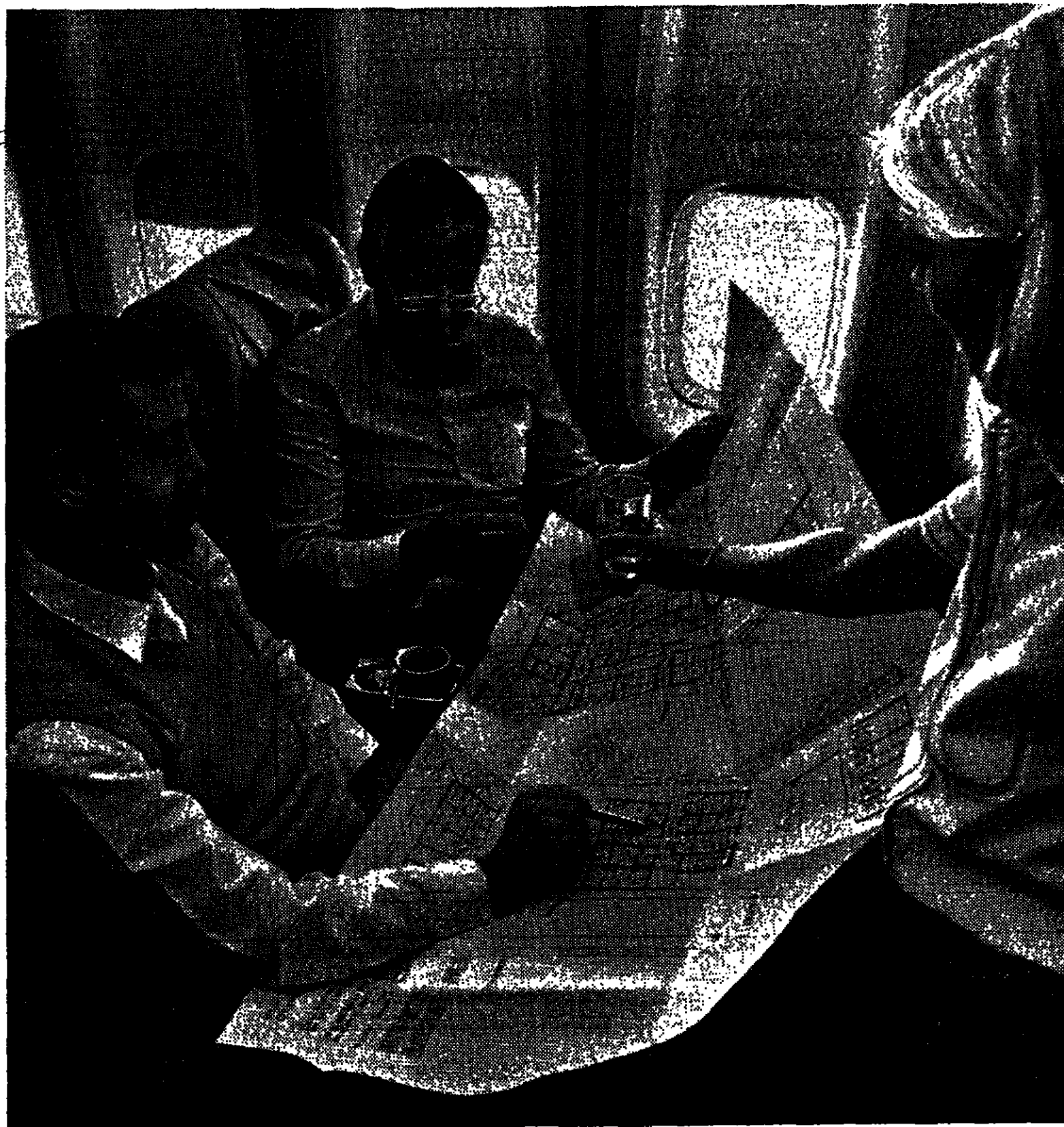
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### ANNUAL GENERAL MEETING

The shareholders in

## SVENSKA CELLULOSA AKTIEBOLAGET SCA

are hereby called to the Annual General Meeting of the Company to be held in the Stockholm Concert Hall, Högskolans väg 9, Stockholm, Sweden at 4.00 pm, Thursday, May 23, 1985.

Matters to come before the Meeting, as prescribed by law and the Company's Articles of Association, shall include: presentation of the accounts and annual report for the year 1984, as well as the Auditor's Report; the Income Statement and Balance Sheet as well as the Consolidated Income Statement and Consolidated Balance Sheet; the Board of Directors' report on the business of the Company; the Board of Directors' report on the financial position of the Company; the Board of Directors' report on the Company's activities; the Board of Directors' report on the Company's research and development; the Board of Directors' report on the Company's personnel; the Board of Directors' report on the Company's environmental policy; the Board of Directors' report on the Company's social policy; the Board of Directors' report on the Company's health and safety policy; the Board of Directors' report on the Company's quality management system; the Board of Directors' report on the Company's information system; the Board of Directors' report on the Company's legal affairs; the Board of Directors' report on the Company's tax affairs; the Board of Directors' report on the Company's foreign exchange affairs; the Board of Directors' report on the Company's insurance affairs; the Board of Directors' report on the Company's pension affairs; the Board of Directors' report on the Company's employee benefits; the Board of Directors' report on the Company's other matters.

In order to take part in the Annual General Meeting of SCA, shareholders must be registered in the Swedish Central Register for Shareholders (Svea Aktieregister) by May 13, 1985, and must also notify the Company of their intention to participate not later than 4.00 pm, Monday, May 20, 1985. Shareholders who are registered in the Svea Aktieregister but have not notified the Company of their intention to participate will not be entitled to vote at the Meeting. Shareholders who are not registered in the Svea Aktieregister must be temporarily re-registered in the books of shareholders themselves.

Notification of participation in the Annual General Meeting may be given: by telephone, by telex, or by mail, to the Company at the latest 4.00 pm, Monday, May 20, 1985. By mail, addressed to Svenska Cellulosa AB SCA, 9001 80 Sölvesborg, Sweden.

Shareholders wishing to appoint a proxy to participate in the business of the Meeting on their behalf should notify the Company well in advance of the Meeting, giving the name of their proxy. A proxy need not be a shareholder of SCA.

Wednesday, May 22, 1985 is proposed as the record date for determining who is entitled to attend the Meeting and vote. It is suggested that dividends will be distributed by VPC on Wednesday, June 5, 1985. Sölvesborg, May 1985

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# CONTRACTS

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## Laing Haden to build hospital

Joint venture consortium LAING HADEN (GOOLE) is working of a \$9.7m contract that will centralise fragmented hospital services in Goole, Humberside. Goole Hospital is under construction on a "greenfield" site in Woodland Avenue, replacing five smaller hospitals. Work on the 166-bed complex is for completion within three years. The contract includes construction of the main hospital block; a boiler house and mortuary block; a works department; and roads, car parks, drainage and landscaping.

WIMPEY has been awarded a batch of contracts worth \$4.58m. Wimpey Construction UK is refurbishing 242 houses and flats in Genworth and Conleach Roads, Speke, for Liverpool City Council, for \$2.1m. Work will comprise improvements to kitchens, replace doors and windows, brickwork repairs, re-wiring, re-roofing and external works. Completion is set for August 1985.

Three contracts worth in total \$1.57m have been awarded in Scotland. Wimpey has won a \$856,000 contract from Springburn and Possilpark Housing Association to improve four four-storey blocks of flats in Springburn. Refurbishment of five four-storey residential blocks in Maryhill, Glasgow, is valued at \$707,000, placed by the Queens Cross Housing Association. Under a third contract, worth around \$500,000 and placed with Wimpey Asphalt, surfacing work, improvements and realignment of Crow Road, Glasgow, from Jordanhill Station to Fultons Street will be undertaken for Farrans (Construction).

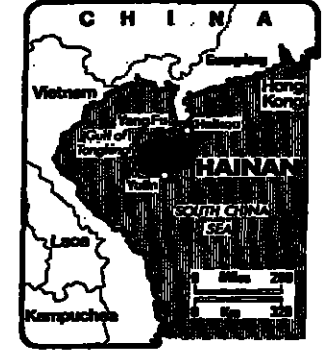
Hartwell Group has placed a \$913,000 contract for a three-storey office block, Elms Court, to be built in West Way, Bletley, Oxford, on the same site as the community centre for the Vale of the White Horse.

## CONSTRUCTION

# Building a town in China

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BALFOUR BEATTY and Davy McKee have won a \$2m contract in joint venture to investigate the feasibility of building a new industrial town at Yang Fu on Hainan Island in the People's Republic of China.



Total amount of work associated with the project could be more than \$20m if the development goes ahead, said Balfour Beatty director Mr Bob Lorraine. "And we hope that involvement in this study will lead us to being able to carry out more work on the development in future."

The study will investigate the feasibility of building a new town with a projected population of 250,000 on the island together with industries associated with nearby oil and natural gas finds. It will also investigate all the support and infrastructure services needed, including a port.

It is all on a green field site in an agricultural area because Yang Fu is just a fishing village at the moment," said Mr Lorraine. The village was chosen as a possible development site because it offers a good natural deep water harbour near where the gas is located.

Once the feasibility study has been completed, Balfour Beatty and Davy McKee will prepare a prospectus to help the client - the Hainan Authority - take the project on to the next stage. If the project proceeds, the two companies would then hope to be involved with providing construction management, procurement and design services for the new town. Balfour Beatty is already involved in a \$100m plus electricity distribution project in Hong Kong which it regards as the "doorway to China," and has been pursuing leads in the Republic for the past two years.

## Mixed batch for Tarmac Construction

Contracts worth about \$5m have been awarded to TARMAC CONSTRUCTION. Two of the largest, each valued at just over \$1m, are for modernisation and repairs to 99 houses at Cowley, Derby, for Derby City Council, and a boiler house and ancillary works at Grimethorpe, South Yorkshire, for the National Coal Board. Others include a single-storey school and external works

at Heaton Road School, Bradford, for Bradford Metropolitan Council (\$779,000); and design and building two-storey administration offices at Stafford, for Mid - Staffordshire Health Authority (\$674,000). Contracts include a factory at Polketh, Lancashire, for the Scottish Development Agency (\$856,000); and a two-storey health centre

at Loos, Cornwall, for Cornwall and Isles of Scilly Health Authority (\$309,000). Tarmac Refurb has two projects in the West Midlands. Refurbishing swimming baths in Oldblenny Road, Smethwick, for Sandwell Metropolitan Council, is valued at \$483,000; and refurbishing and relocating offices and laboratories at Redditch, for H.E.A. Forgings, is valued at \$343,000.

## Desalination project at Lake Quarun

WHITE YOUNG PROJECT ENGINEERING, Ramon, has started a project as consultants to the Egyptian Salt and Minerals Company of Alexandria for the recovery of mineral salts from Lake Quarun in Fayum Province.

lies in the Fayum depression 44 metres below sea level. Over the years, the salinity of the lake has increased to a point where the wide variety of fish in the lake are endangered. The project has ecological significance and it is expected that the lake will freshen to a point where natural breeding of fish will again take place. At present, the lake is restocked regularly to maintain the fish population.

In 1976, studies were undertaken by White Young to assess the feasibility of the project and in 1979, the findings were verified by a further study carried out by an American consultant under a U.S. aid programme. The contract, due for completion in 1988, is for the production of 200,000 tonnes/year of sodium chloride, 98,000 tonnes/year of sodium sulphate, 11,000 tonnes/year of sodium sulphide and 41,000 tonnes/year of magnesium oxide.

Total project investment is about \$80m (\$66m) of which nearly half is expected to be in chemical plant and equipment, with the remainder for dams, lagoons, housing and major civil works.

From coach house elegance to satellite communications—that's the span of \$2.68m contract won by LAYVILL CONSTRUCTION (MIDLANDS) for the British Broadcasting Corporation. The project comprises demolition, refurbishment and new building at the BBC's world-wide listening station at Caversham Park, Reading, Berks.

The complex will be built by a major international contractor, to be decided, and White Young Project Engineering will assist the client in preparation of construction and technical documentation, design audits, site supervision and commissioning.

## GENERAL

# £21m orders from British Rail

BRITISH RAILWAYS BOARD has placed contracts worth £21m with eight private sector companies. They are: Higgs and Hill Building (£9m) for the refurbishment of Euston House (the former London headquarters of the London Midland Region); GEC - General Signal (£2m) for resignalling in the Norwich area; Balfour Beatty Power Construction (£3m) for supply and installation of overhead electrification equipment between Bishop's Cleeve and Cambridge; Crompton Batteries and Chloride Power Storage (£2m shared) for lead acid batteries and cells; Brush Electrical Machines (£2m) for electric train heating equipment; Marathon Alcosac (£1m) for nickel cadmium cells and batteries; and Adamson Containers (£1m) for general cargo containers.

Goldstar CO of South Korea has signed a US\$10m (\$833m) contract with Olivetti of Italy to supply 150,000 units of 12 inch computer monitors. Goldstar, the electronic arm of the Lucky Group, is to ship 15,000 units this month. The contract covers one year, but Goldstar hopes to extend it to two years.

The People's Republic of China has placed a computer order valued at US\$5m (\$5.42m) with GROUPE BUILL. Honeywell's Paris-based European associate. The order is based upon the Bull equivalent of Honeywell's DP57 mainframes and DP56 minicomputers. Starting next year, five DP57 mainframes and five DP56 minicomputers will be delivered, together with terminals and micro. The order was won as a result of a call for tenders from the Chinese National Technical Import Corporation (CNTIC) to equip ten Chinese universities and research centres.

## £12m computer project for Hoskyns

British Shipbuilders has signed a contract with HOSKYN'S GROUP, the computer services company, worth £12m over five years, to take over running and marketing of British Shipbuilders' central computing facility in Newcastle. Faced with the need to cut back on the central computing facility, as naval yards are privatised, British Shipbuilders has entered into an alternative arrangement with Hoskyns. This will enable the Newcastle central computing facility to be maintained at its present level to serve the Corporation's needs for the next five years, but the centre's computing skills and resources will also be marketed, generating income, and so reducing the cost to British Shipbuilders.

COBEN CHADWICK is believed to be the first company to obtain an order from a Communist country for a steam press for pre-printing the outer liner of corrugated cases. The purpose-built press, with a printing width of 2.45 m will be

installed at Czepl Paper Mill at the beginning of 1986. The order is worth over £1m and the machine will be about 32 metres long and about 4 metres high.

MACHINE TOOLS INTERNATIONAL of London (previously James Woollacott Machine Tools of Norwich) has signed an agreement resulting in the sale to the Chinese Government of a used press line in a deal worth over £1m.

PHARMACIA AB, Stockholm, has signed a letter of intent with China's pharmaceutical administration covering the transfer of research and manufacturing technology to modernise the Chinese drug industry. Mr Erik Danielsson, managing director, said that Pharmacia will also be able to increase its direct sales to China but gave no details. Pharmacia will undertake joint biotechnical research with the Shanghai Institute of Pharmaceutical Industry as part of the agreement.

The Australian army has awarded a contract worth over A\$10m (\$6.8m) to ANI KOMATSU, a division of the ANI Corporation, for the supply of 82 bulldozers and motor scrapers manufactured by Komatsu of Japan. They will be used in heavy digging, land clearing, general earth moving and quarrying applications throughout Australia. The order complies with the Australian Government's local content and offsets programmes. ANI

Komatsu has also received orders for both large bulldozers and off-highway rear dump trucks for the coal mining industry in New South Wales and Queensland.

FLEISSEY RADAR has been awarded a multi-million pound contract by Bahrain for an integrated air traffic control radar system comprising a Watchman primary radar, Fleissey Watchman display and a Cosor monopulse Secondary Surveillance Radar (SSR), for use by the Civil Aviation Department. A phased delivery programme has been established for the Watchman radar which is planned to be in service by mid-1985.

## Babcock wins £8m boiler plant work

BABCOCK has been awarded an \$8m contract for the construction of a coal-fired boiler plant, an extension to the existing Merseywater power station at Bromborough, for UML, a United Lever company. Babcock Power is providing \$4.5m worth of boiler plant designed to produce 105 tonnes of steam per hour at 510 deg C and to fire various types of coal. The company is also providing a steam management contract, co-ordinating all aspects of the associated site activities. Instrument and control equipment will be supplied by Babcock, Eric Cardon, and Babcock Hydro Pneumatics is providing an ash chain conveyor and a precipitator dust hydrosol system.

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## Republic National Bank of New York

A subsidiary of REPUBLIC NEW YORK CORPORATION  
Consolidated Statements of Condition  
(In Thousands)

Assets	March 31		Liabilities and Stockholder's Equity	March 31	
	1985	1984		1985	1984
Cash and demand accounts	\$ 125,803	\$ 130,796	Non-interest bearing deposits in domestic offices	\$ 363,372	\$ 387,843
Interest bearing deposits with banks	5,195,152	4,157,518	Interest bearing deposits in domestic offices	2,440,927	2,068,780
Precious metals	65,046	175,156	Interest bearing deposits in foreign offices	5,748,548	4,891,905
Investment securities	1,915,956	1,641,574	Total deposits	8,540,847	7,348,508
Trading account assets	43,617	-	Short-term borrowings	647,679	366,582
Federal funds sold and securities purchased under agreements to resell	562,625	200,000	Acceptances outstanding	1,185,891	745,144
Loans, net of unearned income	2,463,842	2,351,380	Accrued interest payable	248,925	190,886
Allowance for possible loan losses	(58,649)	(49,210)	Other liabilities	189,680	98,883
Loans (net)	2,405,193	2,302,170	Stockholder's equity:		
Customers' liability under acceptances	1,185,825	735,774	Common stock, \$100 par value; 4,800,000 shares authorized; 3,550,000 shares outstanding	355,000	355,000
Premises and equipment	183,018	113,227	Surplus	705,000	478,896
Accrued interest receivable	222,115	178,447	Retained earnings	240,168	171,953
Other assets	191,140	121,300	Total stockholder's equity	1,300,168	1,005,949
Total assets	\$12,096,190	\$9,755,962	Total liabilities and stockholder's equity	\$12,096,190	\$9,755,962
			Letters of credit outstanding	\$227,606	\$236,762

The portion of the investment in precious metals not hedged by forward sales was \$2.5 million and \$4.0 million in 1985 and 1984 respectively.

REPUBLIC NEW YORK CORPORATION Summary of Results (In Thousands Except Per Share Data)		Three Months Ended March 31	
		1985	1984
Net income		\$29,299	\$22,802
Net income per common share		\$1.42	\$1.28
Dividends declared		\$41	\$40
Average shares outstanding		17,201	13,423

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## SCHRODER, MUNCHMEYER, HENGST

GERMAN PRIVATE BANKING  
WITH AN INTERNATIONAL FLAVOUR

From our 1984 Annual Report

Customer loans	DM 623 m
Balance Sheet total	DM 1,289 m
Total business volume	DM 1,635 m
Capital*	DM 100 m

\* increased to DM 140 m in March 1985

The merger of the business of the German branches of Lloyds Bank International Limited into our bank was completed on April 1, 1985. We are represented in

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**£200,000,000 Floating Rate Notes 2005**  
of which £100,000,000 has been issued as the Initial Tranche

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 2nd May 1985 to 2nd August 1985, the Notes will bear a Rate of Interest of 12 1/4% per annum. The amount of interest payable on 2nd August 1985 will be £161.47 per £5,000 Note, and £1,614.73 per £50,000 Note.

Agent Bank

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**Standard Chartered**

**Standard Chartered Finance B.V.**  
(Incorporated with limited liability and established at Amsterdam in The Netherlands)

**US\$300,000,000 Junior Guaranteed Undated Floating Rate Notes**  
Guaranteed on a Junior subordinated basis

**Standard Chartered Bank**  
(Incorporated with limited liability in England)

In accordance with the provisions of the Notes, notice is hereby given that for the six month period (184 days) from 7th May 1985 to 7th November 1985 the Notes will carry interest at the rate of 9 1/4% per annum. The interest payment date will be 7th November 1985. Payment, which will amount to US\$472.78 per US\$10,000 Note and US\$2,363.89 per US\$50,000 Note, will be made against surrender of Coupon No. 2.

**Standard Chartered Merchant Bank Limited**  
Agent Bank

**Shawmut Corporation**

**U.S.\$50,000,000 Floating Rate Subordinated Notes Due 1997**

Notice is hereby given that the rate of interest has been fixed at 9 1/4% and that interest payable on the relevant Interest Payment Date August 7, 1985 against Coupon No. 2 in respect of US\$10,000 nominal of the Notes will be US\$233.12.

May 7, 1985, London  
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**

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15 St. James's Square, SW1Y 4LQ 01-830 5474			
Executive Investment Pension Plan			
Cash Fund	118.9	125.1	+0.3
Fixed Fund	145.9	153.6	+0.5
Fixed Interest Fund	123.1	129.6	+0.3
UK Equity Fund	108.2	117.2	+0.6
Property Fund	115.2	121.1	+0.1
Overseas Fund	146.9	154.7	+1.1
Index Linked Fund	102.4	107.8	+0.1
Stock Exchange Fund	112.1	124.4	+0.2
North American Fund	88.5	102.7	+1.0
Far East Fund	83.6	88.6	+4.5
Special Situations Fund	102.5	107.9	+1.1
Prices 1st May 1985 Unit dealings on Wednesday			
Clerical Medical Managed Funds Limited			
Cash Fund	146.5	146.5	
Mixed Fund	211.9	217.2	+0.2
Fixed Interest Fund	123.2	128.1	+1.3
UK Equity Fund	108.2	117.2	+0.3
Property Fund	115.2	121.1	+0.1
Overseas Fund	146.9	154.7	+1.1
Index Linked Fund	102.4	107.8	+0.1
Stock Exchange Fund	112.1	124.4	+0.2
Prices 1st May 1985 Unit dealings on Wednesday			
Initial unit prices available on request, telephone 0272 290668			



## FINANCIAL TIMES SURVEY

Tuesday May 7, 1985

هنگام الشهر

## Engineering Construction

A transformation has taken place in the UK engineering construction industry through a new joint agreement between employers and unions.

Projects are now being completed on time and within cost.

## Marked change of outlook

BY ALAN PIKE

**M**IRACLE is a strong word, but it is in frequent use to describe a transformation which has taken place in the UK engineering construction industry.

Large engineering construction sites, as recently as the late 1970s, were the scene of targets for critics of British industry. Completion of projects on time often proved as impossible as completion within budget. Management structures appeared incapable of coping with the complexities of controlling operations on large, multi-contractor sites. And the industrial relations problems of the industry were repeatedly highlighted by difficult, well-publicised disputes.

Today, all this has quite genuinely changed. Projects such as the Haysbury Two and Torness nuclear power stations are on their way to completion—on time—with fewer than 1 per cent of working days lost as a result of disputes. A rate several times as high would have caused few surprises in the 1970s.

The industry now feels sufficiently confident about the transformation to be prepared to market itself around the slogan: "Projects built to cost and time in Britain." Sir Walter Marshall, chairman of the Central Electricity Generating Board, says the events of the past few years make a "superb success story to match

the horror stories of the past."

High unemployment and the effects of the recession have had a restraining and reforming impact in many industries, and these conditions undoubtedly helped prepare the ground for the changes which have taken place in engineering construction. The changes themselves have resulted directly from a single, remarkable agreement and the establishment of the National Joint Council for the Engineering Construction Industry.

## Responsibility

The engineering construction industry is responsible for the project management, construction management and building of power stations, oil and gas production plants, steel and chemical works and similar projects. It has a turnover in excess of £10bn, although employment in the industry today is relatively low—the current combined onshore and offshore workforce is between 30,000 and 35,000.

Concern about the condition of the industry dates back to the 1940s, culminating in the publication in 1970 of the National Economic Development Office Large Sites Report. This and subsequent NEDO research confirmed the picture of an industry prone to delays, disputes and uncontrollable costs which was inefficient in comparison with U.S. and European competitors.

These conditions persisted in the 1970s with engineering construction characterised, in the words of another recent NEDO report, "by all major contracts being late and overspent and by the existence of a highly unstable industrial relations climate."

By the late 1970s, employers and union leaders, working through the National Economic Development Council economic development committee for the sector, were drawing up a bold plan to rescue the industry from these destructive tendencies. The result, in 1981, was the National Agreement for the Engineering Construction Industry and the foundation of the National Joint Council.

All conditions of employment on site—pay, working hours, holidays, training, disputes procedure—are subject to the agreement, which covers mechanical, electrical, instrumentation, construction, erection, insulation and installation work on engineering construction projects.

The National Joint Council, with 16 employer and 16 trade union members under an independent chairman, has extensive powers and is responsible for achieving the basic objectives of the agreement—to improve the industry's performance, attract more work, raise productivity and earnings and ensure greater stability of employment.

The intention is that most significant engineering construction contracts will in future become Nominated Projects under the agreement.

When a project is nominated, the NJC becomes involved from an early stage. Prejob conferences are held with the client company, union officials and employers' association representatives to resolve preliminary issues.

How long should the job last? How many contractors and employees will be required? A Supplementary Project Agreement is completed, which determines specific local terms not covered in detail by the national agreement, and a Project Joint Council appointed.

Major site contractors and union representatives sit on the council. It is responsible for seeing that the agreements are kept, developing good standards of productivity and industrial relations and promoting a common and co-ordinated approach by all contractors and unions involved in the project. Matters of dispute eventually go to the NJC.

## Impact

The effect of the agreement on some of the engineering construction industry's first Nominated Projects has been dramatic. Texaco's Visbreaker, near Pembroke, was the first to be completed entirely under the national agreement.

More than 500,000 working hours went into building the plant and only 28 were lost through industrial action—less than 0.006 per cent. The plant came on stream last year, three months ahead of schedule and under budget.

ICI's nitric acid plant at Billingham was completed in 18 months, compared with 23 months for the last equivalent project.

Working hours lost through disputes on CEGB sites as a whole declined from 3.4 per cent of total in 1979 to 0.58 per cent in 1983.

Mr Hugh Rees, industrial relations manager of Snamprogetti, UK subsidiary of an Italian organisation which provides a full range of engineering construction services, has recently rejoined the company after spending a period with the

National Joint Council monitoring the agreement.

"More projects have been on time and within budget during the past 24 years than probably ever before," he concludes. "There is much more discipline in the industry, we have seen a significant productivity improvement and an incentive has returned to accept jobs with an element of fixed price."

Mr Ivor Williams, who was secretary of the National Agreement negotiating group and was seconded from Nedo as secretary to the NJC, says every project so far nominated under the agreement has been completed to time and close to cost.

"All the industry's traditional clients are totally converted," he says. "In the past, managers were spending all their time trying to cope with industrial relations-related problems. Now they can get on with other aspects of their work."

The national agreement has been introduced at a time when the industry's fortunes would, in any case, have been changing. Contracts for big, new industrial plants are unlikely to become plentiful again even if the worst effects of the recession are over. The industry is having to look more than in the past towards the upgrading and refurbishment of existing plant as a source of business.

However, the industry's latest forecasts indicate some recent increase in confidence about future prospects, particularly as far as the oil and gas sectors are concerned.

A substantial improvement in activity—welcome as it would be—would test the new national agreement in a different economic climate. Those responsible for the changes which have taken place in UK engineering construction are convinced that they are permanent, and that the industry is ready to face international competition with a new confidence.



View inside a giant cooling tower at the Drax coal-fired power station. The success so far in the second phase of the project highlights the UK construction industry's new-found confidence to complete projects on schedule and within budget.

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## Engineering construction II

Offshore sector  
remains a  
bright spotProcess plant  
construction

IAN RODGER

IT SEEMS a little unfair that just as the British engineering construction industry put its house in order, the demand for process plant went soft.

Spending in the UK on oil refineries, chemical and steel plants, power stations and other process plants reached record levels in the 1970s, but has been on a sharply declining trend since the peak level of \$2.3bn in 1978.

More recently, export markets—the industry has come to rely on overseas markets for about a third of its sales—have also gone sour. The oil producing countries, once the main customers, have run into liquidity problems, while others are reluctant to build new plants at a time when world markets for chemicals, steel and other major commodities are already grossly oversupplied.

Nevertheless, there are a few bright spots in the industry, notably in the UK offshore oil market, thanks to the Government's moves to stimulate new exploration and production. Also, at the lighter end, demand for food, drink and packaging plant remains buoyant in response to changes in consumer tastes and advances in technology.

Pre-tax profits of Baker Perkins, which specialises in food processing and packaging machinery, trebled in the six months to September 30 last year to \$4.89m and the directors forecasted "a very satisfactory result" for the full year.

Historically, the main spenders on process plant have been the power generation, petroleum refining and chemical industries. In Britain, these three sectors accounted for two-thirds of process plant spending in 1983, according to figures published by the Process Plant Economics Development Committee of NEDO. The remainder came from nuclear fuel processing, oil and gas

production, gas supply and steel.

However, investment is very depressed in all of the main areas and the EDC expects it to continue to fall in the next few years. For example, spending on process plant by the chemical industry fell from a peak of nearly \$650m (in constant 1980 prices) to under \$300m in 1982. Last year, it recovered to over \$400m but is expected to decline again next year.

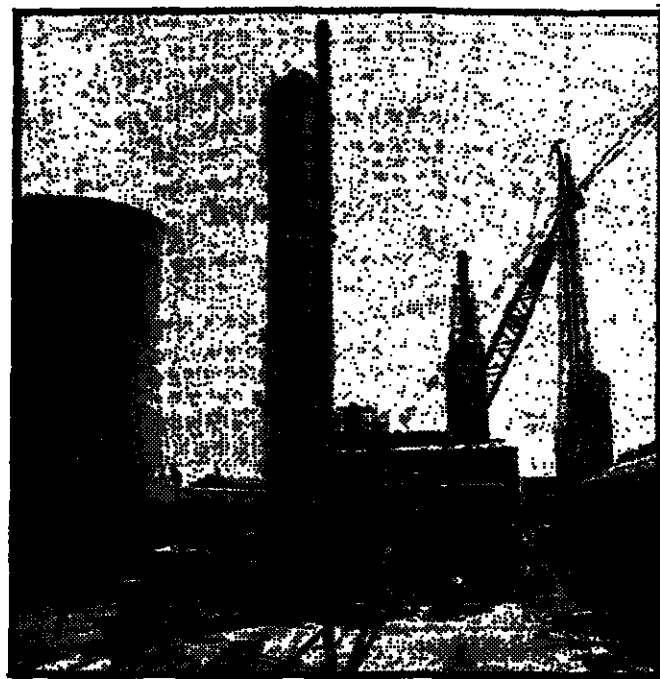
Chemical producers face major new competition from producers in the Middle East and are trying to reduce their commitment to bulk chemicals rather than invest in new plant. About the only spending that is going on is for refurbishment of existing plants.

Similarly, the oil refining sector has been hurt by overcapacity, and some refineries have closed in recent years. The only significant area of investment is in converting refineries to make lead-free petrol. The Esso refinery at Fawley is the first to make this move in Britain. But this is nowhere near enough to offset the dramatic drop in spending in the sector as a whole. This was down from a peak of about \$230m in 1979 to only \$58m last year in constant 1980 sterling. The EDC expects spending on oil refining to be down to only \$24m a year by 1988.

## Prospects

Spending by the electricity industry bucked the trend in the early 1980s because of the AGC nuclear power station programme, but it is expected to fall sharply from a peak of \$432m in 1983 to only \$111m in 1988. Estimates of Britain's electricity consumption in the 1990s have been steadily reduced, so the pace of new power station orders will fall.

The steel industry is now quite small, but spending on plant in this sector appears to have stabilised at about \$44m a year compared with a peak of over \$200m a year in 1975 and 1978. As in the chemical and oil industries, the spending is not on new capacity, but on refurbishments, such as the \$174m rebuilding of a British Steel Corporation hot rolling mill at Port Talbot and a \$55m



ICI's fourth nitric acid plant at Billingham, Cleveland. Press Construction of Darlington carried out the mechanical construction on time by operating a four-day rolling-shift system.

rebuild of a BSC blast furnace at Teesside. Inevitably, the process plant industry has been hurt by the slump in demand for its products. Mr Harry Hornsby, director-general of the Process Plant Association, estimates that employment is down about a quarter since 1979 to just over 100,000.

In the early 1980s, companies had difficulty maintaining their competitive position both at home and abroad because of the high value of sterling. In the absence of strong home business, most took export orders at very low margins in order to keep going, and many are still managing that way, especially those with strong technological advantages.

For example, APV is an international leader in dairy product manufacturing technology. GEC is a strong competitor in turbine generators for power stations and Davy is a leader in plant equipment and control systems for steel and non-ferrous metal works.

But some smaller companies have found the going too tough. One business or absorbed by others. Copper Neill, once a fairly important group, called in the receivers early in 1984.

It is unlikely that the shake-out has ended, especially as the EDC forecasts little improvement for the next few years in the home market. Its forecasts published last July suggested that spending on all types of process plant in the UK would

tumble from £1.5bn in 1984 (at constant 1980 prices) to only £1.16bn in 1988.

The only sector forecast to grow steadily through to 1988 is nuclear fuel processing, mainly because of a \$2.4bn investment programme of British Nuclear Fuels over the next five years.

However, the offshore oil industry could also be a growth area. Last year, orders won by UK suppliers, including process plant manufacturers, in the offshore area rose by 41 per cent to \$2.85bn. However, as Mr Hornsby pointed out, the process plant suppliers usually see a long delay between the placing of orders for platforms and the placing of orders for their equipment. This is because the structures have to be built before the equipment can be installed.

One indicator of the importance of this sector for process plant equipment makers comes from the leading process control specialist, Fisher Controls. The company says that 80 per cent of its control valve production went into the offshore oil industry last year.

Process plant contractors have been among the main beneficiaries of the Government's attempts to encourage offshore operators to buy their equipment and services in Britain. Mr Alick Buchanan-Smith, the Energy Minister, said recently that Britain's offshore supply industry won 74 per cent of the business available last year.

## Proof of new-found confidence

SUCCESS IN SECOND PHASE OF DRAX POWER STATION COMPLEX

THE SECOND phase of the Drax coal-fired power station complex, due for completion next year, and the Heysham Two nuclear station, scheduled to be fully operational by the year after, have demonstrated the construction industry's new-found confidence in build performance.

The three generating units which make up what was once known as Drax B have so far been built to time and within the £110m budget, a performance that the Central Electricity Generating Board found impossible through most of the 1970s.

The first of the three units was taken over by the local operating region two months before scheduled last year. The next unit, due to come on stream in June, is currently being commissioned on coal burn.

Since work started in 1978 on what is now referred to as "Drax completion," just 1.55 per cent of man-hours have been lost through disputes, a much better record than that achieved during most power station projects during the 1970s, particularly in comparison with now notorious schemes such as the Isle of Grain.

A considerable proportion of the lost man-hours at Drax resulted from plant design changes. In this respect, however, Drax completion has been greatly assisted by following on from the first phase which it almost duplicates.

Back in the early days of Drax completion, the tender assessments involving capability audits on tender list companies were much more thorough than in the past. They incorporated not only managerial competence and quality standards, but also a labour relations record. Status reports too have been widely used.

One big difference with Drax phase one has been the use of key data procedures. A usual method of penalising construction delays has been to apply damages because of delayed completion. The weakness of this method is that it allows problems to drag on to the end of a contract before pressure is actually applied to a contractor.

Key data procedures make the penalties, or the threat of them, more effective—right through an individual contract from manufacturing to completion. The generating board and each contractor have, throughout Drax completion, regularly reviewed actual work, comparing it with agreed targets. The penalty for slippage in the programme has been the withholding (though not withdrawal) of stage payments.

Labour relations and working patterns on Drax have been underpinned by a desire of the unions CEBG and contractors to carefully prepare ground work for co-operation and efficient working. The site has not been free of problems. Right at the beginning of the project it endured an eight-week strike during foundation work. But among 3,000 workers involved during the peak construction phase there has been nothing like the nine-month strike among a few groups which hit the first phase of Drax.

Shift rota

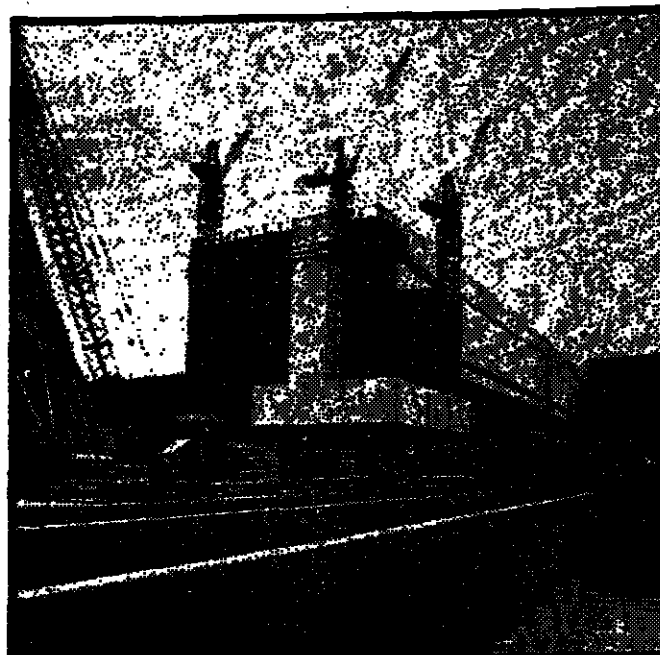
One key feature has been double day shift working for most of the mechanical and electrical trades.

Such a shift pattern added 500 more workers at peak than would have otherwise been on site but total man-hours worked have been greatly reduced overtime pay, lower absenteeism and faster building.

Only a small percentage of civil engineering workers were brought into this system because the benefits of double shifts are much diluted in these disciplines. Nevertheless, nearly 70 per cent of all employees on the Drax site have been operating shift work.

One of the most important features of Drax, as on so many other big recent site projects, has been the welding of management-controlled structures on to the framework of the 1981 National Agreement for the Engineering Construction Industry. This agreement lays out guidelines for earnings including incentive factors and incorporates disciplinary procedures.

One of the most crucial tools for overseeing and controlling construction has been the



Drax Power Station, phase two: the boiler house and mechanical annex under construction.

which require contractors to carry out almost all design work before manufacturing and construction have helped to prevent costly and time-wasting plant design changes. In this respect, however, Drax completion has been greatly assisted by following on from the first phase which it almost duplicates.

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Management Group, made up of representatives of all main contractors and the employers' federation with chairmanship in the hands of Mr Ron Parkes, director of the CEBG's construction division.

The Management Group adopted the policies and procedures of the National Agreement, which became working "law" for the project. They were geared to harmonising site conditions, pay and employment in order to prevent the horrendous one-sided sectional quarrels that reached their most notorious pitch in the Isle of Grain lagers' dispute.

Common employment policies, setting down rates of pay to remove frictions between trades and prevent leap-frog claims and trying to ensure adequate productivity, have been underscored by monthly monitoring of pay and bonuses, and employment changes proposed by individual contractors.

A study group, made up of contractors and national and local union representatives, has met every six months to review bonus schemes, demarcation and other problems—another departure from Drax. The much more familiar Project Joint Council, comprising equal numbers of employers and trade unions including shop stewards, was the body responsible for day-by-day oversight of the National Agreement.

Mr Jim Lawton, project manager at Drax from April last year, and who worked as project manager on Littlebrook D, says the arrangements have continued to work well; there has been a marginal increase in days lost, but no significant deterioration in site relations towards the end of the project as used to occur frequently in the 1970s.

Heysham Two uses similar organisational arrangements, though the role of National Nuclear Corporation which has had a significant managing agent and design role has had to be incorporated.

Construction of nuclear stations also involves greater pressure to get the work right first time. The reactor is a difficult structure in which to rectify faults once finished—and to achieve a greater degree of completion before testing.

Labour relations have been good, with under one per cent of days lost, though there have inevitably been some disputes. The reactor is a difficult structure in which to rectify faults once finished—and to achieve a greater degree of completion before testing.

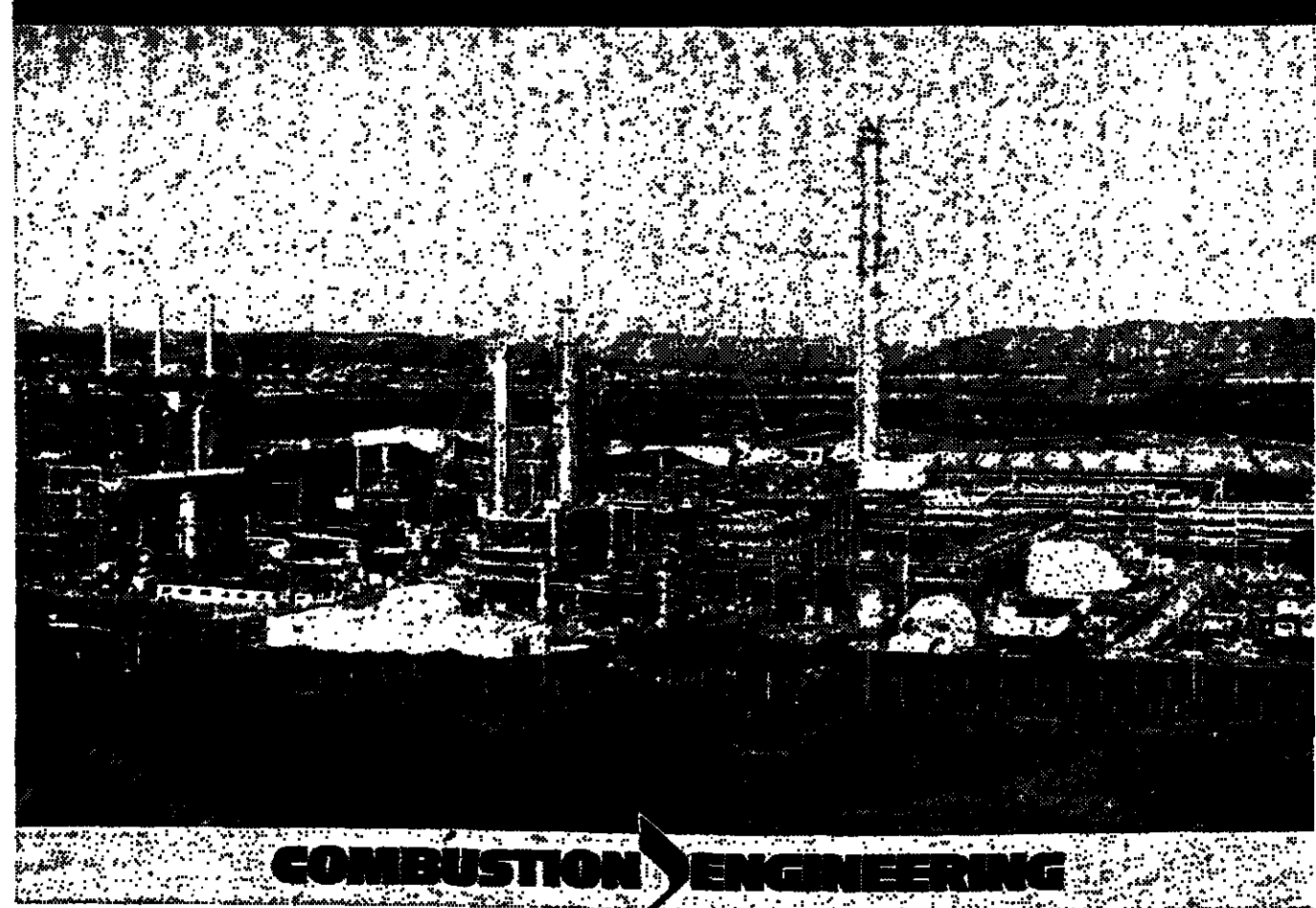
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MARK MEREDITH LOOKS AT THE WAY MAJOR SCOTTISH PROJECTS HAVE BEEN HANDLED

## Industrial peace on the sites

TORNNESS, the new £118m nuclear power station in Scotland is on target for completion—keeping to its budget.

Out of a possible 7m man-hours worked on the site on the North Sea coast of Fife, management report only 0.88 per cent of this was lost through industrial action.

This much could not be said in the past for big construction projects of this kind in the UK. The industrial relations record of the mechanical engineering sector was so bad in the 70s that as much as five per cent of the total man-hours was lost in disputes. Over-spending was rampant. These factors, and the huge delays in big plant construction, were seen as a dangerous disincentive for foreign investment in Britain.

An accord between both sides of industry in 1981 has changed all this and brought a period of untroubled and productive peace to the field.

Two big industrial construction projects in Scotland have been among the first real test-beds for the agreement of the National Joint Council for the engineering construction industry.

Shell Expro's £353m gas separation plant at Mossman in Fife, successfully completed on time last year—and to budget—was industrial disputes brought down to a mere 1.28 per cent of total man-hours.

The Esso Chemicals ethylene plant, adjoining the Shell works, is extending its commissioning stage with a similar record in industrial relations. Tormess is today one of the biggest construction sites in Britain with about 9,000 workers. Forty-five out of a total of 120 contractors are in the mechanical/electrical engineering trades alone.

The big gas and white "box" south of Dundee, is an ideal case study in plant construction and for the joint agreement which has given the employers through their trade associations and trade unions' equal say in determining wages and conditions.

The agreement also has produced a nearly watertight dispute procedure which, in effect, makes all industrial action unofficial and requires all issues to be resolved within the struc-

ture of the council. Wildcat strikes flare up, but even the trade-unions oppose them.

The agreement has a National Joint Council with half employee and half union representatives. Big, so-called nominated sites such as Tormess have project joint councils, again with 50-50 management-union involvement to handle local wages and disputes. Wages are set within national guidelines and disputes not solved locally can be passed to the National Council disputes committee.

Demarcation disputes have been eliminated with agreed areas of skill integration. Its impact has been not only to stop the strikes which characterised engineering projects, particularly in their closing stages when contractors were under pressure to finish the job. It also stopped the leap-frogging bonuses paid by contractors as incentives.

One morning recently at Tormess, the telephone rang in the office of Bob Weaver, the industrial relations co-ordinator of the power station project.

Unofficial

About 260 men had walked off the night shift because a supervisor had been seen using a file. The men would lose their allowances and bonuses for the time they were out.

The dispute was unofficial. The men decided to take action independently, rather than take the disputes procedure agreed by their union. While the full-time union officials who represent the men will put in their claim for unpaid allowances, in effect these union officials are committed to discourage any strike action outside the agreement.

"The agreement has brought a change in attitudes," says Mr Weaver. "There is more collective thought given to consultations, more awareness."

Mr Weaver and Mr David Morris, the site director for the South of Scotland Electricity Board agree that management too has improved with less industrial relations worries and more time to concentrate on delivery times and performance.

Another dispute, over workers refusing to work during windy weather, was taken as a test case up to the National Council only then to come back to the local project council which turned out to be the best forum for reaching a final agreement.

Contractors are vetted on joining a nominated project like Tormess. They agree to stick, in particular, to restrictions on bonuses paying an "in lieu" of 20 per cent of the construction schedule, all deadlines have been met to date with the first reactor due for commissioning in 1987 and the second the following year.

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## National pact is success story of the decade

### Industrial relations

DAVID GOODHART

THE 1981 national agreement for the engineering construction industry is one of Britain's most remarkable industrial relations success stories of the past decade.

Signed after more than 10 years of acrimonious negotiations, it has succeeded in ordering the once-explosive labour relations of the big sites in a way that few would have thought possible during the dark days of the late 1970s.

Throughout the 1970s the large engineering construction sites were plagued with bonus and differential disputes, costs spiralling as the heavily bonus-driven industry sought to outpace the basic rate of about 22%.

One problem was that there were far too many pages upon which to hang work stoppage arguments. The Mechanical Contractors' Association, Engineering Construction Employers' Association and the Engineering Employers' Federation and the construction unions was a relatively unproductive document.

It left an enormous variety of terms and conditions between sites. In addition to that the Oil and Chemical Plant Constructors' Association had its own agreements.

With up to 200 contractors working at any one time on a big site the looseness of the agreements proved an enormous headache.

"Every day everything was negotiable," as one oil company official put it. By the end of the 1970s a consensus had built up about the urgent need for change on the big sites. Negotiations began in earnest between the eight trade unions involved and several employers' organisations.

The talks were never likely to be easy, aimed as they were at establishing a very detailed rule book which also had the flexibility to encompass the widely differing practices of a

surprisingly diverse industry. In addition, some of the small employers—who had not been hit so badly by labour troubles—were fearful of involving themselves with an agreement that might be both expensive and hostile to the flexibility they required.

Overtime restrictions, for example, were keenly sought by both the employers and the unions, particularly on large sites.

Lastly, the trade unions were expecting a big boost to the basic hourly rate in exchange for co-operation in an agreement that would restrict bonus, overtime and other special payments severely.

### Renegotiated

Despite all these possible impediments the agreement was finally clinched in September 1981, immediately one of the most comprehensive regimes on terms and conditions applied in the 400-plus companies that are working under the agreement at any given time.

As Mr John Foster, director of the Engineering Construction Employers' Association, says: "From then on, the answer was always in the book—all we could argue about were the facts."

The agreement—which is reviewed every year—covers working hours; basic rates and allowances; overtime; shiftworking; disputes procedure; redundancy; disciplinary procedure, and almost everything else that it is possible to include in an industrial agreement.

However, the most remarkable feature of the 1981 agreement was the formation of the National Joint Council with 16 employer representatives and 16 union representatives, to be the final forum for matters coming through the disputes and disciplinary procedures.

It meets monthly to review the National Agreement and is also the forum for the annual review. It has a role, too, in confirming binding decisions in disputes.

The NJC contribution to drastically cutting the days

lost through strike action has been substantial. Not all disputes have been eliminated, but as Mr Foster puts it: "Nowadays, we get worried when we lose 2 to 3 per cent of time in dispute on large sites, but in the old days that figure would have been judged quite an achievement."

The failure to agree is reached at stage two in the disputes procedure from where it is referred to the National Joint Council disputes committee with four representatives from each side. There have only been three occasions in four years where it has not been possible to reach a joint decision and in each case the full NJC then resolved it. So official disputes have been virtually restricted to "RUC" days of action. (Only about 40 disputes cases in total are now referred to national level each year.)

The consensus structure works top to bottom. When work begins on a "nominated project" a pre-job conference is held and a local Project Council is established to negotiate a Supplementary Project Agreement covering all items in the national agreement left for site determination.

In addition to cutting down on disputes and labour costs the agreement has facilitated a more effective use of working time and, for example, a growth in shift work. (The CEBG regards the extension of double day shift working as one of the key benefits of the agreement.)

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The employers also eagerly point to the very wide-ranging flexibility clause contained in the agreement which states that "all skilled employees shall be engaged for and deployed to any tasks within their training, experience and capability, irrespective of their membership of any particular signatory union."

They did not win all this "for free." In September, 1981, the basic hourly rate for a skilled man was about £2.50; by January 1982 the rate had gone

up to £3 (through consolidation, as well as straight increase) and the weekly hours had been cut to 39, where they remain.

### Earnings

The average weekly earnings are now about £200 with the hourly rate at about £5 when £2 of bonus and extra payments are added. So, the basic rate has received a considerable boost from the agreement but in most cases it has simply been a transfer from the previously inflated bonuses.

On the union side, the agreement has greatly boosted the authority of national and area officials against the shop stewards. But Mr Foster also believes the agreement has spawned a new attitude among virtually all union officials:

"Increasingly, they think of it as their agreement as much as ours. Whereas under the old systems they thought it their duty to try to get round agreements they now police it more stringently than we do."



PAVING THE WAY FOR PEACE IN THE INDUSTRY

A meeting of one of the NEDO working parties which led to the formation of the National Joint Agreement. Left to right: Mr Ronald Burbridge, director of projects, Central Electricity Generating Board; Mr Ivor Williams, secretary of the working group and now secretary of the National Joint Council for the Engineering Construction Industry; Mr Gill Porter, and Mr John Cox, representing BP's construction division; Mr George Henderson, national building secretary, TGWU; and Mr John Baldwin, national secretary, AUEW, construction division.

## Training provides model for other industries

### Apprenticeships

ALAN PIKE

THE ENGINEERING construction industry has led the way with a far-reaching reform of apprentice training which today stands as a model for other industrial sectors.

In the early 1970s the industry's industrial relations, left much to be desired. The National Economic Development Office large sites report, published in 1971, expressed surprise that engineering construction had no comprehensive training system of its own.

Attempts were made in the wake of the report to increase the supply of trained young people entering the industry. A scheme was established to train a large number of apprentices in addition to those then being recruited by employers. But these efforts led to disillusion, as a majority of the extra apprentices failed to find permanent jobs in the industry when they completed their training.

### Pioneered

The turning point—like much else in the industry's fortunes—came with the national agreement and the establishment in 1981 of the National Joint Council for the Engineering Construction Industry.

This provided the first forum in which training issues could be considered at an industry-wide, national, level. The Engineering Industry Training Board's Mechanical and Electrical Engineering Construction Industry Sector (Meeci) took advantage of the opportunity which this offered.

Following discussions with the National Engineering Construction Employers' Association (part of the Engineering Employers' Federation) and the Oil and Chemical Plant Constructors' Association, the National Apprenticeship Scheme for Engineering Construction (Nases) was founded.

The scheme has successfully pioneered several features of apprentice training reform which the Manpower Services Commission and Government are currently trying to encourage throughout industry.

It abolished from the start the

concept of time-served apprenticeship and is entirely standards based. Although it takes young people an average of 3½ years to complete their training, the precise time depends entirely upon individual performance.

All apprentices have trainee status and are recruited by the industry as a whole rather than by individual employers. The scheme is financed by a compulsory levy—1.12 per cent of payroll in the coming year—which is imposed on all companies in the sector.

As trainees, young people on the scheme receive allowances rather than conventional wages. These are exempt from income tax and national insurance deductions, and will range in the coming year from £35 per week for first year trainees to £52.55 for those in their fourth year and beyond. Part of the cost of first year training is now met by Youth Training Scheme finance.

Engineering construction trainees spend their first two years at one of five training centres around the country, and then move to site training experience with an employer.

This approach to apprentice training means that the industry is seeking to recruit young people who are mature enough to leave home at the age of 16-plus—a realistic start to life in an industry where it will always be necessary to travel in order to work.

Since the educational components of the apprenticeship must be completed during the two years at training centre, the training board also requires a relatively high level of attainment from potential engineering construction apprentices.

The number of young people applying to join the training scheme has declined from between 2,000 and 3,000 a few years ago to 1,300 last year and 1,150 this year. But despite this drop, the number of applicants still far exceeds the 130 places a year which are currently available. Levels of apprentice intake are agreed annually in the National Joint Council.

Mr Mark Jones, EITB senior training adviser responsible for the engineering construction apprenticeship scheme, says that the new approach to training has won widespread acclaim throughout the industry.

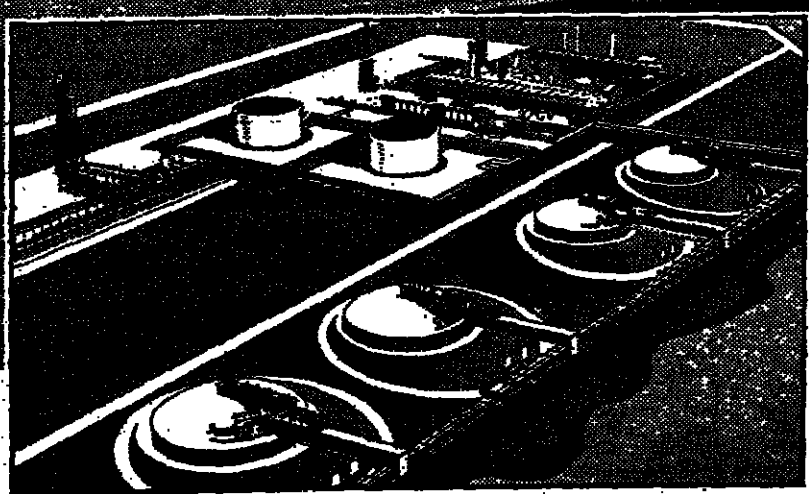
With the completion of large sites like Drax and Moss-morran, some difficulties have arisen finding sufficient work-experience places for trainees. The training board is trying to overcome this by attaching apprentices to repair and maintenance contracts and offshore construction programmes.

In addition to the apprenticeship scheme, the EITB's Meeci sector has established a series of other ventures to improve the quality of training in the industry. The apprenticeship scheme had unique features when it was established three years ago, and so does a scheme which the board has introduced in the head offices of engineering construction companies.

Board officials offer to negotiate training agreements with managing directors and other senior managers of individual companies. The agreements set out a plan for the company to identify and meet its training priorities. If the discussions are successful, the company is exempted from the 1 per cent of payroll levy which it is otherwise required to pay the board.

The board also operates fellowship programmes in engineering construction site and project management—the site management scheme in conjunction with Henley management college and the project management one with Cranfield Institute of Technology. Both fellowship schemes lead to the award of an MSc degree.

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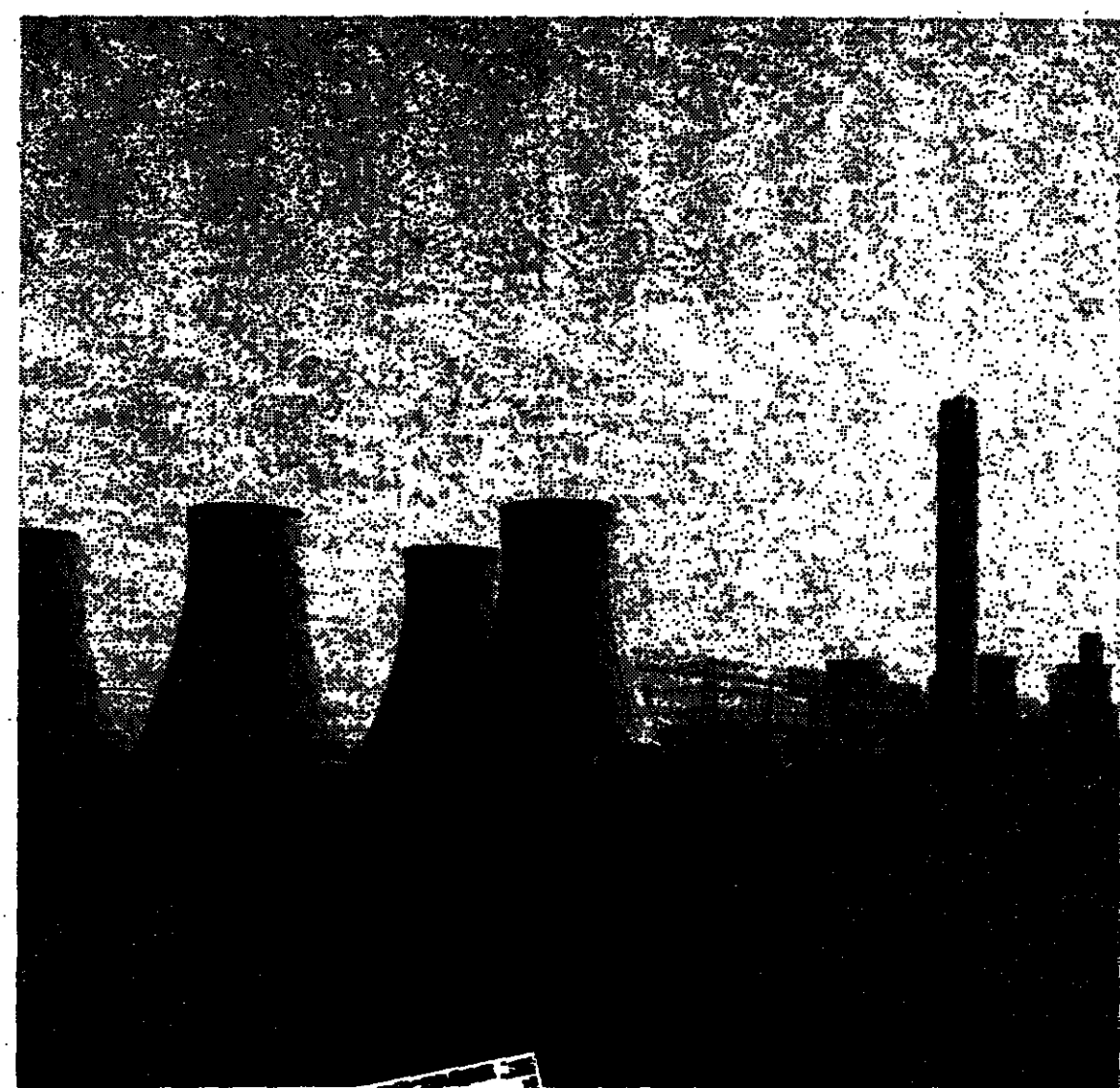
Shell and Esso deserve the fullest congratulations. And we're delighted to offer ours - just as we were delighted to play our part in the construction of the Mossmoran Plant, where our 1200 strong multi-discipline labour force played a wide ranging part.

Thanks Shell and Esso, we've enjoyed being part of a winning team - one that's been on-time and to budget. That's no mean feat on a project of this magnitude, (costing more than £400 million in total).

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## THE ARTS

Pravda/Olivier  
Michael Coveney

Subtitled "a Fleet Street Comedy" this magnificent epic drama by Howard Brenton and David Hare takes a fascinating look at the power game in contemporary journalism—and creates a theatrical contest between an unscrupulous white South African magazine, Lambert Le Roux, and an ambitious young editor, Andrew May, a professional of principles and skill.

It is not, however, a clear cut rant against obvious targets, as you might expect from the provocative title. Le Roux tells May that, when he had the truth, he did not know what to do with it. Le Roux may be nasty, but he knows what he is doing. He is barging through a British Establishment that says it will not talk with him but is desperate, after all, to have a slice of the action.

The subject matter is not exactly controversial. Not many people outside of the news paper industry would dispute that newspapers get worse by the month. *Pravda* does not blame Le Roux for this. It blames those who roll over when he walks through the door with a fist full of dollars. We seean MP at a sports-wear conference (Le Roux is unveiling his new crick-fashions—a former England captain is seen in luminous white and star-spangled green and yellow pads) jumping aboard the posh ship "Victory" to write a guest column; he had originally come to defend the British team at the 1988 Olympic kit contract.

Le Roux buys him, as he buys everyone. Hare and Brenton tell their tale in a succession of

lush, sensually realised settings, leaving you with a brilliant, stimulating and very entertaining birdseye view of the mood and temper of the times (sic). In this respect *Pravda* is a triumphant companion piece to their last collaboration, *Breathless* at the Nottingham Playhouse in 1973, which linked loss of political idealism with the property speculation boom among members of a Borgia-like Midlands family.

Threaded between the ten scenes is the romance, founded on trust, of Andrew and his first proprietor's daughter (Kate Sweeney), a girl who exchanges thoughts of investigative journalism (an aspect of the trade now devoted, we see, to revealing the pork content of pate) for teaching and, at a point, the leaking of a Ministry of Defence classified document.

Andrew has by now moved with Le Roux from the "Leicester Bystander" to the "Pravda" and on that evening he returns to the newsroom with the coveted Golden Fleece award. ("In a very real sense," he tells his subordinate, "this fleecing is for all of you.") The row over whether or not to print the document brings Le Roux from his dinner table and royal guest upstairs. This function was to be especially enjoyed by an ebullient Father of the Chapel, "Breaker," who feels closer to Andrew. As he disappears in his burgundy cummerbund, he casually tells Andrew that the machines are slowing down.

Le Roux begins his incursion in Leicester which he only visited to eat a bad meal and takes Andrew to testify for him at a meeting of the "Victory's" trustees in the Irving Club, instantly recognisable by its deep chairs and crowded walls of theatrical paintings. He already owns the "Tide," a downmarket rag, but wants to be let in, to subsume his alien status, in the prestige of a publication that is losing film a week.

Le Roux's sidekick and hit man is a wheedling Australian, superbly played by Bill Nighy as a grinning accomplice eventually bounced off the merry-go-round in unexpected fashion. What happens is that Le Roux appears to go entirely insane in an astonishing scene in his Weybridge fastness: here, in a kimono and before a shrine to the man who came out of the jungle and thought that the war was still on, he practices his Japanese assault routines by an indoor pool, ingeniously represented in the design as a blue jellied pond.

This is the centre of Anthony Hopkins' wonderful performance as Le Roux. He combines lightness on his feet with ponderousness in his upper torso: most remarkable, this vision of a man who is not only out of place but even in his pin-stripe suit. There is something both simian and elemental to this portrait, it exudes an aroma of naked power, just those blue eyes swimming non-committally in the middle-distance, craving a good fight, bulging with the sport of it all.

Taking stock of the "Victory," he discovers a drama critic on the floor and actually asks him a very good question. The critic groans and passes out as the office is divided between the

sacked and the retained. Wesker's *The Journalists* comes to mind here, as do countless other plays from Barrie Neeffe to John Stock's latest. But this play is neither a critique of journalism nor a mere scenario of an industry. It is a sharp-etched panorama of the glamour of corruption, of spider and the fly set against an imaginative distillation of how England looks today.

The show is brilliantly and forcibly directed by David Hare with splendid contributions from designer Hayden Griffin, costume designer Lindy



Anthony Hopkins

Hemming and composer Nick Bicât. This is the second offering of the David Hare/Richard Eyre National Company and a most creditable achievement by all concerned.

Ron Pember is a crutchy provincial editor; Guy Williams a sycophantic deputy called Cliveden Whicker-Basket (that sets Le Roux's lips curling); Fred Pearson a scrupulous down-market editor salivating at his Bligo millionaire ceremony; Basil Henson the deposed "Victory" editor rejoicing in the name of Elliot Fruit Norton who takes a job as an

Inspector of Greyhound Courses ("Editor Goes to the Dogs" about the scene-covering new-vendors) and dreams of centres of canine excellence but not in the regions.

The offices come trucking in through the efficiency organised sliding screens. Not least among the evening's pleasures is the physical one of the contrasting dog-track on the Yorkshire moors, at the echoing Frank-further exhibition hall or in the costly suffocating confines of the Irving Club. A play for today and a play you must see.

On Sunday afternoon all such worries were set at naught. This Vienna Elektra made an extraordinary experience—a triumph for a superlative cast of veteran singers, a wonderful memorial for the late Karl Böhm (the film was completed shortly before his death), a astonishing feat of dramatic translation by the director Götz Friedrich and of musical engineering by the producer Christopher Raeburn. I don't really believe that opera is dead, as it is often said, but this felt like opera, and I remember nothing on the box that has gripped and moved me more.

What's in order is not so much a repeat of it as soon as possible (late evening this time please: it would fill the horror-slot nicely), and to readers not to miss it. As with Friedrich's opera, his ideas that don't work very well (flashbacks to the murdered Agamemnon, unwanted visuals of Orestes and his victims long after they should have passed beyond the gates) but also inspired physical treatment of

## Elektra/Channel 4

David Murray

Opera on television seems on the face of it a contradiction—the most grandly expansive, collective-experience medium reduced to two or three household sets. And "Elektra on Four," denied the BBC's stereo-radio resource, has to come to us through our rotten little television speakers: Strauss's Elektra, a seething torrent of a score, would seem untransmittable.

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his singing actors; and the latter virtue, perfectly apt for an opera with such exotic pressures, is the little visual gaffes utterly. The film was shot in a disused locomotive factory, a fine stark site, but there are hardly any less than a dozen of the brief crowd scenes. Most of the action is carried by intimate close-ups, with the advantage of musical pre-recording to let the singers avoid the facial contortions that go with full-power operatic delivery.

The exalted intensity of Leonie Rysanek's Elektra dominates, as it must, with a still, ashen face (and an eerie resemblance to Iris Murdoch) and a superbly poised vocal line. There is a model Orestes from Dietrich Fischer-Dieskau, tender and implacable, and a colossal Bette Davis act from Astrid Varnay (in her mid-60s?) as Clytemnestra which would go over the top if it were not anchored by her magisterial grasp of what every phrase in her role is about. Catarina Ligendza brings a rare, welcome vitality to poor Chrysothemis. Raeburn's use of the orchestra to capture extraordinary detail in the orchestral part (the Vienna Philharmonic responding fervently to Böhm's magnificently seasoned reading), as well as gleaming reproofs of the voices. Excellent subtitles, printed against translucent strips that don't blot out the action.

Swan Lake/Covent Garden  
Clement Crisp

As a companion piece to the Peter Wright/Philip Prowse *Sleeping Beauty*, Sadler's Wells Ballet presented on Friday night the same team's *Swan Lake*, which also benefits from Galina Samsova's understanding of the text. Like the *Beauty*, it impresses in two very evident ways: its magnificent scenery, and its superbly created a Gothic realm, slate dark, relieved by shafts of colour that reflect the emotional upsurges of the action—and its coherent view of the ballet's emotional world.

Odette's betrayal is shown in movement bleached of everything save resignation, but which then flares in an access of determination to die with Siegfried, and dance and stage action take on hectic dramatic images, like the last rallying of someone mortally sick. As Odile, the same discretion marks her presentation of the enchantress: she appears a creation of von Kottbarts bewilderment, and the flash of bravura has an icy gleam. It will burn even brighter when certain technical matters are more controlled, but this reservation does not diminish the force of her characterisation.)

Miss Hart's casting well, I surmise, is a nod to a Siegfried more inspiring in manner than Henry Juddens, a guest from the Dutch National Ballet, who makes the Prince a figure too bland for a Romantic hero. In the hands of the same dancer, the company's performance are strong. SWRB's dancers fill out Mr Prowse's interpretations, *Swan Lake*, contrary to the testimony of most dancers, is restored to its true identity as a spectacular ballet, richly communicative, worthy of the most serious consideration.

## Mobil/British Film Institute Awards

Mobil, which is contributing to the National Film Archive's restoration programme, is joining with the British Film Institute to make the BFI awards for 1985. The awards, to acknowledge those who make

"an important contribution to a lively film and television culture," will be presented at a gala evening at the National Film Theatre on June 25. Altogether six BFI special awards will be presented.

London galleries/William Packer  
Student promises and return of alumni

The Royal College of Art stands first among our national centres for the post-graduate study of the visual arts, alone at least in bringing together within the one institution at this highest level the full range of the visual disciplines—fine, applied, technical and academic. It has had its little difficulties lately, of funding, organisation and direction and perhaps it is still too soon to look for clear evidence of a restored confidence and certainty. But we do hear of changes being made under its new captain, Jocelyn Stevens; so it is with a special interest that we watch the old ship sail into public view once more, with the graduation shows that occupy these next few weeks.

The first show is on view (until May 10) with the Painting and Print-making Schools combining to fill the Gulbenkian Hall at the College before all the other schools crowd in towards the end of the month.

Now Design is the great shibboleth of Whitehall, by which the economy is to be saved. With the design departments concentrated in the tower beside the Albert Hall, Queen's Gate and the V & A can seem far off and dangerously out of mind. Not only is the work of the fine art schools essential to the College, the puny research as it makes the mixture rise, but it should be seen to be so. We cannot but hope that the completion of the rebuilding programme at the Gulbenkian Hall will allow the proper integration of next year's show.

Meanwhile students are students and the show goes on. Many of our best artists have sprung from the College, in recent years, and with David Hockney's immediate and spectacular success still fresh in the mind after more than 20 years, we ever hope to spot the star.

Latterday figurative expressionism predominates, loaded for the most part with private symbolism or a generalised mythical and phantasmagorical reference. Paul Gough's huge multi-panelled composition, *The Seige of Krishnapur*, is certainly impressive, with its images of war as a kind of sinister childish charade of dressing-up and make-believe, and its odd formal echoes of Beckmann and Spencer. It is stated with a deceptive ease and lightness of touch, the surface admirably articulate and controlled.

I was also impressed by Michael Finch's large, quiet paintings of figures in gardens and interiors, rather close in feeling to the last series of *atelier* paintings by Brice Bazarre. I liked Jane Langley's bizarre theatrical tableaux, Laura Halliday's quirky assemblages of beasts and figures, and Tessa Millar's distraught lady left alone in her house high above the sea.

Of the prints, Michael Roberts' large and very simple composite cartonnage prints, with their rich and deeply textured surfaces, are outstanding; and I was much engaged by Panayiotis Kalorkoti's etchings, with their gleeful collage-like play upon the icons of art history.

By chance two older alumni of the College, circa 1930, are showing recent work in London at the moment, Adrian Berg at the Piccadilly Gallery in Cork Street (until May 18), and John Loker at Angela Flowers in Tottenham Mews (until May 11). Berg, soon to leave for ever his eyrie above the Regent's Park, has lately forsaken the familiar landscape at his window-sill for other views, and this new work is set upon the lake in Kew Gardens.

The small studies are swiftly and directly stated, close in tone and colour, simple in form and



"Flying Saucers" by Martin Pearce at the Royal College of Art Show

image. The large paintings are somewhat more cerebral and complex, a formal and yet conscious decorative reworking of the material as though seen in the imagination from high above, the gardens, trees, bushes and borders laid out flat below as on a map. It is an adventurous intriguing and seductive work.

John Loker, too, reworks the landscape in his imagination. This work relates to a commission he has lately completed for Watlington (Hodding) plc, a company based in his native West Riding, who asked for an unquestionably modern work

fraught with local association. He again takes what might be a high viewpoint, the land laid out map-like far below, as though seen high hills above a plain. And yet the scale is oddly ambiguous, which allows the mind to switch the scale abruptly, to read what was the distant landscape Gulliver-like at the very ground beneath the feet. A canal carved through the countryside seems now a mere ditch, the great declivity which holds a city a hole in the ground. It too is most intriguing and, carried through with Loker's habitual delicacy and finesse, very beautiful.

## Benvenuto Cellini

Ronald Crichton

The producer, Peter Ebert, selected the discomfortable Dome at Brighton for the New Sussex Opera's performances of *Benvenuto Cellini*, by Berlioz, with which the Brighton Festival opened on Friday.

The theme this year is "clowns, clowns and the commedia dell'arte." Cellini includes a famous Roman carnival scene, and a trestle-stage harlequinade. The excuse was there, if hardly needed, for the revival of such an original and riotous opera—the wonder is not that Berlioz found difficulty in having Cellini accepted in Paris of the 1830, but that he persuaded the Opera to stage it at all.

There cannot have been many alternative venues in Brighton, whose charming Theatre Royal is hardly large enough for the intimate *Beauvilliers* and *Benedict*, let alone the epic *Cellini*. Having made his choice, Mr Ebert went all out for open-stage treatment. Cohorts of the NSO's excellent amateur chorus rushed about the back of the auditorium like noisy latecomers, keeping surprisingly good liaison with the conductor, Bryan Balfour, but making an unhelpful effect on the offstage writing so precisely "heard" by Berlioz. When, in the second act, one chorus was sung in the right hand position, there was all the difference in the world.

Most of the effort had evidently gone to the carnival theme, where the producer made full use of a wider space than most opera houses stages offer, massing his forces most effectively in any production of this opera I have seen. And here the designer, Giancarlo Gemin, whose costumes were otherwise remarkably drab, threw every available colour into the pot—more a matter of rummaging than designing, but a cheerful sight. The dismal effect of the rest was not helped by poor stage lighting and unattractive lighting. The intimate scenes seemingly depended not on direction

but on what individual artists could offer. The discovery of Fieramosca in Teresa's bedroom and the murder of Pompeo were feeble in the worst operatic way. The Papal treasurer Balducci (Andrew Gallacher) and Cellini's rival, Fieramosca (John Hancock), were weakly under-characterised. Cellini (David Johnston) resembled Beethoven's forlorn Florestan more than a Renaissance rogue artist. (One of the good things about the performance was the way the shadow of Beethoven hovered over parts of the score.)

Dennis Wicks gave a firm portrait of the Pope, sardonic but not, as we have seen in the past, played coarsely for laughs. The two ladies, Louise Kennedy as Teresa, and Anne Mason, in the breeches role of the apprentice, Ascanio, were admirably assured. Miss Kennedy's bright, forward tone and elegant presence singles her out for the French repertoire. Miss Mason held the audience at a late hour through her "Trala" song—the kind of comic opera doomed to appear out of place in this style of production. Though the high tenor writing took Mr Johnston out of his comfortable range, he gave a most musical account of his second-act aria.

The valuable contribution of the chorus deserves another mention, since there were things going on all round him. Mr Balfour may be excused for not drawing the last ounce of fire and delicacy from the talented young players of the National Centre for Orchestral Studies. He phrased tentatively, allowing the voices to come over clearly without vamping orchestral sonority. An English version by Arthur Jacobs was used with, I suspect, abbreviated spoken dialogue. The version given was the one adopted by Covent Garden for their post-war revival. There is one more performance tomorrow. Since the extraordinary music comes up hot and strong, it is worth catching. The evening is long, but worth it.

## Arts Guide

May 3-9

## Opera and Ballet

## NEW YORK

American Ballet Theatre (Metropolitan Opera House): Mikhail Baryshnikov, Juster, Gordon, Orenthal, Benafat, Kinder and Schmidt. (Tue.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Wed.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Thurs.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Fri.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Sat.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Sun.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers.

## BRUSSELS

Amsterdam Opera with Der Schuh und die Fliegende Prinzessin by Udo Zimmermann conducted by Kasper de Roo (Tue).

## PARIS

Don Giovanni opens the Orchestra de Paris' Mozart Festival with Daniel Barenboim conducting and Jean-Pierre Ponnelle responsible for production, design and costumes. Theatre des Champs Elysees (565 07 49).

## VIENNA

Volkstheater (5324 26 57): *Lehar's Der Zigeunerbaron*, conducted by Artur Schnabel, with more than 100 dancers. (Fri.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Sat.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers. (Sun.) *Lehar's Count of Luxembourg*, conducted by Artur Schnabel, with more than 100 dancers.

## WEST GERMANY

Frankfurt Opera: Rosalind Flowering is repeating her perfect performance as Amelia in Ein Maskenball. Der Freischütz has Helena Dine, Barbara Bonney and Walter Koch, with Walter Raffeiner in the title role. Falsch! stars Louis Quilico. Stuttgart, Württembergisches Staatstheater: This week there is a new production of Hans Werner Henze's opera König Hirsch, with Julia Conwell, Karin Ott and Toni Krümer.

## ITALY

Florence, Teatro Comunale: Verdi's Don Carlo, designed and directed by Pierluigi Pizzi and conducted by James Conlon (Sun, Tue, Thurs). (21 02 59).

## NETHERLANDS

Fellies et Millelles from the Netherlands Opera, directed by Filippo Sanjust with the Rotterdam Philharmonic and the Opera Choir under Michel Piessens. Stadsschouwburg, Amsterdam (Sun, Mon, Wed). (24 25 11).

## ACCOR

The Board of Directors of ACCOR, meeting on April 18, 1985, examined the 1984 financial statements.

Group consolidated sales amounted to FF 9 861 million, up 21.3% over 1983. International operations experienced a 22.3% growth in sales and domestic operations in France were up by 12.1%. Hotel operations alone rose 22% and other operations grew by 20.5%.

The Group's share in consolidated net after tax income, came to FF 142 million, a 53.8% increase over 1983 earnings of FF 92.4 million, excluding exceptional items. Taking into account the January 1984 capital increase, net earnings per share grew by 20.6%.

ACCOR parent company pre-tax sales amounted to FF 790 million and net income to FF 71.1 million.

At the General Meeting of Shareholders to be held May 28, 1985, the Board will propose payment of a net dividend of FF 4.90 per share (plus a FF 2.45 tax credit for a total yield of FF 7.35). This dividend represents a 16.7% increase over the 1983 dividend and will be paid out on capital increased by 27.5% during 1984.

In terms of both sales and results, ACCOR's 1984 performance exceeded the year's targets in great part due to improved occupancy rates and productivity in the French hotels.

The outlook for 1985 is promising: More than 40 new hotels will be opened in cities around the world, including Paris (at Les Halles), Gonesburg, Lisbon, Munich, Bangkok, Lamberán, Jeddah, Atlanta, Toledo and Toronto. Construction will begin on roughly the same number of hotels, mostly in the Asia-Pacific region.

Following the recent startup of meal voucher operations in Portugal and Sweden, ACCOR has now also gained a substantial position in the U.K. market. Moreover, ACCOR's recent acquisition of a stake in the Gaston Lendore Group will open up new opportunities in the restaurant business.

Finally, the ACCOR Academy for staff development became fully operational during the first quarter. The Academy is a reflection of the Company's commitment to professional service and quality on the part of its people.

A 19% increase in net earnings per share has been targeted for 1985. Results so far this year have been in keeping with this objective.

ACCOR Board of Directors



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## TECHNOLOGY

Peter Marsh reports on the rise of Ada for military and civilian use

## Computer language of tomorrow

DEVELOPERS OF complicated computerised systems, such as bank data filing or missile control hardware, may soon benefit from an advanced computer language when writing the computer blocks of instructions to operating the equipment.

Such systems rely for their safe operation on hundreds of thousands—sometimes millions—of lines of computer instructions, written in programming languages approximately to English.

Groups of computer programmers in the U.S. and Europe are developing the language called Ada as a tool for writing this kind of software. Ada could ultimately replace better-known languages such as RPL and Fortran in certain applications.

According to Ada's supporters, the language is especially suitable for fashioning the "embedded" programs that control entities such as process plants or military installations, rather than, for instance, the "general purpose" programs that work on different parts of a large piece of software without interfacing with each other's activities. Further, the different components contain their own built-in interfaces with other parts of the program.

As a result, the various units of software can be easily slotted in place at the end of

the exercise, in rather the way that, in a car factory, different modules such as engines, chassis and body are assembled together in the final stages of the production line.

In a similar fashion new pieces of software can be replaced to meet altered requirements, just as, for example, a car owner can change over a gear box or clutch with only a small degree of disruption to the car's operation.

Ada was developed in the 1970s to meet the needs of the U.S. Department of Defense, which wanted a new, standardised language for the huge range of military systems that rely on computers, anything from fire-control equipment for tanks to the hardware that tracks satellites in space.

Since then, several companies have finished work on what are called Ada compilers—sets of programs that translate the commands and text in the Ada language so that it can run on particular types of computer.

In the U.S. two small companies called Telesoft and Veridic have announced compilers, as have Rolm (now owned by IBM) and DEC. Most of these efforts are directed at making Ada digestible for fairly large and expensive machines, for example Data General hardware or the VAX range made by DEC.

In Europe, the Danish Datacenter Centre, a consortium of several companies based in

Copenhagen, has produced another Ada compiler which has yet to be seriously marketed.

Perhaps the most interesting move has come from Alsys, a company based near Paris which has attracted investment of £7m, mainly from Baxend, a French banking group, and Advent, a venture capital company specialising in technology-based companies.

Alsys was set up in 1980 by M. Jean Ichbiah, a software designer who, in the 1970s, led the team that developed Ada under contract to the Pentagon. At that time, M. Ichbiah was working for CII Honeywell Bull, a French-American computer company.

Alsys's progress has been far from rapid. So far it has concentrated on perfecting a range of Ada compilers, with sales due to begin later this year.

The company has obtained small amounts of cash through sales of training programs (which, for instance, run on an IBM personal computer) that tell people the rudiments of Ada. Annual turnover came to £1.3m in 1983, rising to £2m last year.

But the company's commercial prospects look promising, according to Mr. Martyn Jordan, marketing director of Alsys's British subsidiary, based in Henley. He predicts that sales will double in 1985, and keep increasing at this rate as customers for the compilers grow.

Mr. Jordan's optimism is based, first, on his belief that Ada will find a niche among companies developing systems for the expanding military market. Not only the Pentagon but Government departments in other Nato countries are turning over to Ada as the standard language for such hardware.

Thus big defence contractors such as Marconi in Britain, Thompson in France and General Electric, McDonnell Douglas and Martin Marietta in the U.S. may find they are forced to gain expertise in Ada if they want to win lucrative orders in the military sphere.

It is a fair bet, for example, that much of the equipment under development in President Reagan's Star Wars anti-missile defence programme (which is due to consume some £25bn of the Pentagon's research budget over the next five years) will be written in Ada.

Britain's Ministry of Defence is turning to Ada increasingly, reducing reliance on its own standard military language, Coral.

The second reason for the confidence of Alsys (which has a second subsidiary, based in Boston) is that it has created compilers that will enable Ada to operate on a new breed of relatively cheap scientific workstations. The latter are powerful microcomputers—costing £5,000 to £25,000—that are



Ada was developed as a standardised language for military systems

roughly equivalent to the mini-computers of five years ago that would have cost 10 to 20 times more.

Ada compilers to be sold by Alsys (at a cost of £5,000 to £10,000) will operate on workstations made by American companies such as Sun, Apollo, Hewlett-Packard and Altos.

Such machines are increasingly being purchased by companies to hand out to teams of development engineers, thus ensuring that all their skilled people have access to a powerful computer. Alsys's British arm has as

its managing director another veteran of the Ada scene, Mr. John Barnes, who (when employed as a consultant by the British companies ICI and SPL) worked with M. Ichbiah in the 1970s on the initial design for Ada.

Both Mr. Barnes and Mr. Jordan were previously employed by Ada Group Ltd (AGL), a British consortium of software companies, formed by the now defunct AGI. Mr. Barnes and Mr. Jordan are among the British-based staff of Alsys.

Ada—but the effort fizzled out last year.

The group had been backed by £5m from the Ministry of Defence, GEC, Plessey, the Department of Trade and Industry and British Telecom.

According to Mr. Jordan, the consortium "could not get its act together" to take the work in Ada on to the commercial stage. Several of the engineers previously employed by the now defunct AGI have joined ICI, SPL, System Designers and Software Sciences. The group was set up to bring together British expertise in

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CONTROL DATA Corporation has introduced an integrated set of computerised application and interpretation tools for oil and gas exploration.

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## Navy day

BRITISH AEROSPACE is designing a set of communications hardware for ships as a result of a £10m contract from the Royal Navy.

The equipment, under design at the company's Bracknell division, will fit inside surface vessels and submarines and channel information between different parts of the vessels.

## Garden

## Micros save lives in hospitals

BY TONY GLOVER

MICROCOMPUTERS are making an appearance in operating theatres and at hospital bedside. The latest of the machines, their compact size and ability to carry programmes developed on much larger computers are the main reasons for their increasing use.

Three programs developed for the previous generation of computers are now being used on micro in the operating theatre. They relate to the body's sub-systems and are called MacPug, MacMan and MacDope, having originated at MacMaster University in Canada about 15 years ago.

Their function is to provide a model of the human sub-systems and they were originally designed for training purposes. Still their main use is for training. For instance, using MacPug, a medical student can be shown how the human respiratory system works in a range of circumstances, and MacDope illustrates the levels of human tolerance for drugs.

By using the programme, a model of the human sub-system, aided by computer graphics, a student can learn the likely effects on a patient suffering from, for example, a massive haemorrhage, or a variety of treatments and can prescribe treatment before being let loose on real patients.

David Ingram, a senior lecturer in Medicine at St Bartholomew's Hospital in the City of London, has spent years developing the "Mac" programs alongside Professor John Dickinson at St Bartholomew's Medical College. He said: "In

many ways it's like teaching pilots with the aid of a flight simulator. Instead of a simulated flight we have a simulated patient."

Until recently a computer powerful enough to run these programs cost £50,000 to £60,000—now a £3,000 micro does the job. They can be run on a DEC Professional and happily on an Apple II. This means it is economical to put them next to real patients and make a model of a patient's sub-system. In MacPug there are roughly 100 variables, but only about 30 pieces of information to be fed in to provide the model of a particular individual's respiratory system.

John Bushman is the Deputy Director of the Research Department of Anaesthetics at the Royal College of Surgeons. He said of the "Mac" systems: "The great thing about these models is that you can make them behave like real patients at a rate of five or 10 times faster than real time. There is very little published about this but it works."

Because of the microcomputers' accuracy in prescribing the right dose of a drug they are also being used at bedside to help patients self-administer pain-killing drugs.

A button, located at the patient's side for him to press when in pain. The micro then calculates the correct quantity of drug in that particular case and a machine automatically administers it into a vein.

## How to edit text on your office copying machine

BY GEOFFREY CHARLISH

A TEXT EDITING and medium-volume office copying machine is now available using lasers and solid-state storage.

The IM-40, made exclusively for Kodak by Canon of Japan, is likely to have wide-ranging uses in the fields of publishing, the law, finance, medicine, insurance and advertising.

Laser copying, now coming down market from the high throughput, and towards medium volume applications, will prove useful where original documents containing text and illustrations must be created, or modified rapidly and quickly to a high standard for reproduction in quantity.

Images captured into electronic memory have the advantage that subsequent manipulation becomes relatively easy and systems are less expensive than two or three years ago.

It becomes possible to give the exact look to material that the user needs. Apart from reduction and enlargement (from 0.5 to three times), the system allows vertical or horizontal stretching of text, headline typefaces, paragraph removal from one place to another, reversal of images (black on white to white on black) and shifting of

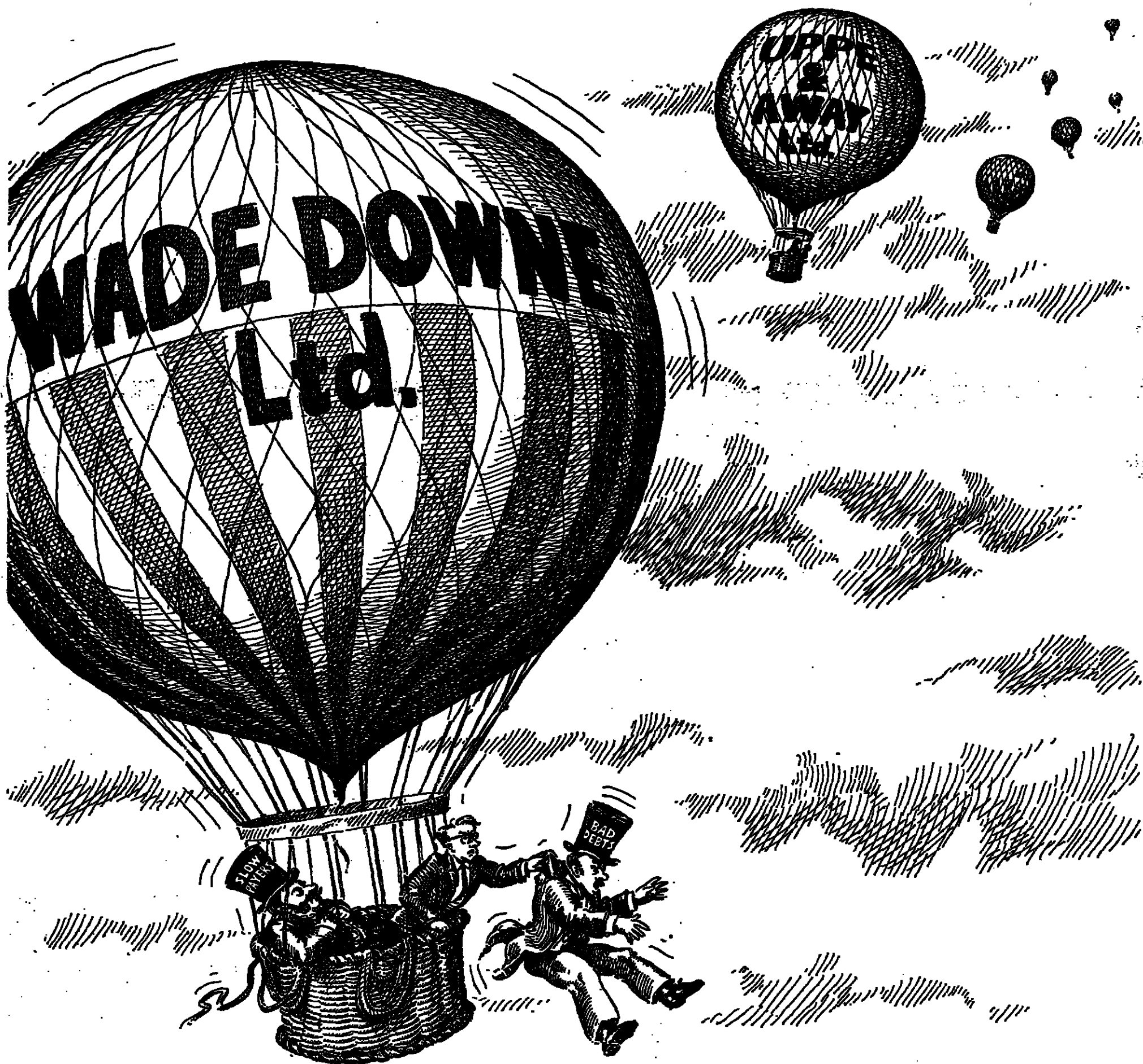
material in one direction to allow for binding without losing text in the spine area. Precisely, this sort of work called for cutting and pasting.

The machine in its basic form (without feeder and collator) costs £8,950, or £10,850 complete.

It uses a charge-coupled device (CCD) camera to record the original document line by line in a semiconductor store. After editing, the image is copied by conventional means. In order to tell the machine about areas that are to be altered on the original, it is placed in a plastic transparent wallet with a grid overlay so that the co-ordinates of the area can be noted.

For example, if a specified text area is to be replaced with a photograph, the co-ordinates of the area's corners are read off the grid, keyed into the IM-40 keyboard, and an instruction button pressed. The photo is then laid on the plate, recorded and held in the electronic store for the "hole" left in the text.

The IM-40, which uses 12 microprocessors, from that point behaves as a normal xerographic printer.



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## FINANCIAL TIMES SURVEY

The world banking system has dealt well with the shock waves of recent months. As new avenues open, thanks to deregulation and new technology, fresh optimism is evident

## Resolutely keeping pace with that brave new world

By David Lascelles  
Banking Correspondent

ACCIDENT-PRONE it may be, but the world banking system is also displaying the much-needed quality of resilience these days.

In less than nine months, names like Continental Illinois, Johnson Matthey Bankers, ESM and BBS have rocked its foundations and proved unpleasantly expensive for some of its members. Yet the edifice is still standing with only a small amount of damage to show for it.

This is a fair tribute to banks—and their supervisors—considering all the other pressures on them, like Third World debt and the need to keep up with the breathless changes that are revolutionising the industry.

But the world's big banks today seem to be in better shape, with stronger balance sheets and rising profits. Bankers who once felt they were on the brink of disaster now face the future with optimism, even excitement as new avenues open up, thanks to deregulation and technological advance.

The latest shocks might have been harder to bear but for a growing sense that the financial strains of the Third World have been demoted from a crisis to a problem, even if the \$750bn debt mountain is still rising and causing nail-biting moments.

After nearly three years, the joint efforts of the banks and international agencies are yielding rescheduling packages which should permit the major debtor countries like Brazil, Mexico and Argentina to repay

current debts between now and the end of the century. The packages are supposed to give these countries a breathing space and reward them for trying to get their houses in order.

Whether they succeed or merely postpone the evil day depends on the continued expansion of world trade, and the skill with which the International Monetary Fund in its role as watchdog, ensures that the debtor countries get their finances straight without pushing them into political turmoil.

So far this year, world economic growth has been close to the three per cent level economists say is necessary to help the Third World back to health and enable the banks to "grow round" the problem. The IMF's latest World Economic Outlook predicted last month that this pace could continue for the rest of the decade.

There will be setbacks, however. The death of President Tancred Neves of Brazil last month coincided with a deterioration in the country's financial situation which will require another gruelling round of talks with bankers and the IMF. Other countries like Argentina, the Philippines and Chile are also causing anxiety.

The major question of how to channel more financial resources from the world's capital-rich nations to its poorer to tackle the fundamental imbalance is still a matter of word rather than deed.

Yet, even if the debt bomb no longer looks like exploding, many of these loans stand little chance of being repaid within any realistic timescale, which is why banks are still under pressure to build up loan loss reserves, something the Europeans seem to be better at than the Americans.



An already-singed dollar needs to make a soft landing if a sharp rise in U.S. inflation and interest rates is not to pull the rest of the industrialised world into recession

### PART ONE : PART TWO APPEARS NEXT MONDAY

Many of the world's largest banks have also bolstered the banking system by raising fresh capital—often at the urging of their supervisors who have mounted an international drive for sturdier balance sheets.

Several billion dollars have been generated through profits, or raised from the debt and equity markets, in the last 12 months in what must be the largest capital infusion the banking industry has ever received. Capital ratios—the key measures of bank strength—are now generally moving back to the levels of ten years ago, before they were whittled down by the "growth at all costs" mentality of the late 1970s.

This has boosted bank share prices, particularly in London and Wall Street, though even now only a handful of banks are valued by the investors at anything approaching their real

worth—a sure sign that the storm has not passed, though anxieties now have as much to do with the future as with the recent past.

New risks have been thrown up by the changes that are reshaping the banking industry. The deregulation trend now sweeping through important financial centres is breaking down decades-old barriers round the banks and exposing them to both new opportunities and dangers.

This has been most spectacular in London where UK and foreign banks have bought up the City's two dozen largest stockbroking and jobbing firms and are now preparing for next year's "Big Bang" liberalisation of the securities markets which could turn out to be a bonanza or a bloodbath.

Other countries, like Japan, France and Germany, are also liberalising their financial mar-

kets, but the recent crisis in the U.S. thrift industry has been a graphic lesson in the need for orderly change.

The international banking markets are being reshaped by the marked shift in capital flows back into the U.S., and the increasing "securitisation" of the loan market which is transforming banks from straight lenders into underwriters and guarantors of finance.

This is partly because they have shied away from all but the high quality international syndicated loan market in the wake of the debt crisis, and now want more business that does not appear on the balance sheet, or at least loans that are easier to sell off, like securities. But more borrowers and investors also prefer the capital markets to bank deposits, and this is hastening the growth of the global securities markets.

The dangers faced by banks entering more volatile lines of business must, however, lead to tighter regulation of financial institutions, even as the markets in which they operate are loosened up. The Bank of England's recent moves to cool the growth of off balance sheet business in the Euromarkets was clear evidence of this.

Prudent though all this sounds, it does touch on one of the major questions surrounding the future of big league banking: as competition increases and banks are obliged to trade off a bigger and more costly capital base, where are they to find the profits to provide a healthy return?

Some institutions like Citibank, which is at the forefront of every attack on regulation, argue that banks must be given the chance to enter new markets to increase their earnings, since these are the lifeblood of the banking system. If other insti-

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● Statistical materials for this survey was supplied by the Market Intelligence Department of the National Westminster Bank.

tutions are allowed to wade into their territory, they should be allowed to strike back.

But what are appropriate new markets for banks? Securities, insurance, commodities, even communications? Geographically, how freely should they be allowed to roam around the world in quest of new business?

For many countries, these are now major political questions which need to be answered with some urgency because of the speed at which technology is driving the banking industry forward.

In whatever way they are answered, though, it seems fair to say that international banking must be close to the point where the unified global market will sort out those few big conglomerates that will dominate financial services well into the next century. Hence, the scramble to squeeze into every new market, like Australia or UK securities, and get that much prized "all round capability".

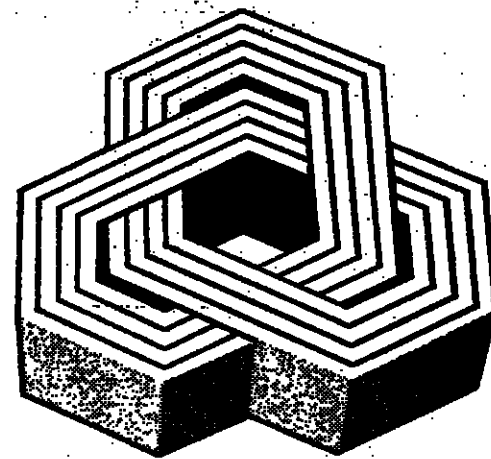


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Treasury Investments	\$ 298.2 M
Deposits from Banks	\$ 218.5 M
Net Profit	\$ 53.2 M

Total Shareholders' Funds  
(US \$ Million)



Total Assets  
(US \$ Million)



Loan Balances  
(US \$ Million)



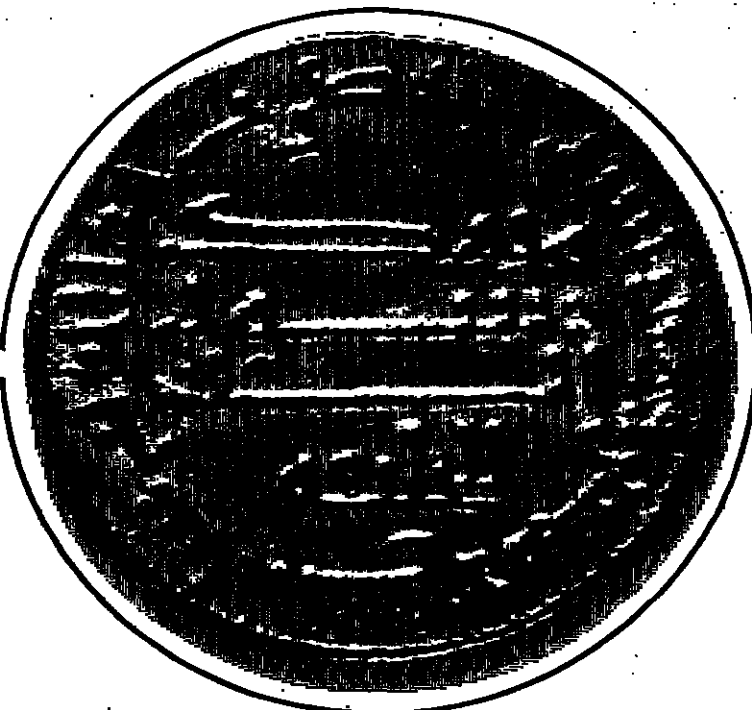
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Heads of state (front row) at last year's economic summit in London

## U.S. problems remain central

### The World Economy

MAX WILKINSON

HOW SHOULD the industrial powers respond if the world's foremost debtor nation at last accepts the International Monetary Fund's prescription?

This was one of the central questions raised at last week's seven power economic summit meeting in Bonn. But the answers to the problem of the U.S.'s mounting foreign debt, its widening trade deficit and the uncertainties over the dollar remain elusive.

In the early part of this year, finance ministers have been restrained in their public discussion of this question, by the fear that alarmist talk could lower confidence and perhaps discourage the U.S. from going ahead with realistic measures to cut its federal budget deficit. The danger is that the recessionary impact of reduced U.S. government spending might come just at a time when the pace of U.S. and world economic activity was moving into a cyclical recession.

Because of the time-lags involved, it is likely that the trade deficit would continue at a high level for some time, so that the U.S. could be caught in a double squeeze between depressed domestic demand and the continued leakage into imports which is already having a powerful effect in holding back domestic production.

Add to this the possibility of a major collapse of the dollar, leading to an inflationary spiral in the U.S. and the dangers look threatening indeed.

At the worst, it is possible to envisage a collapse of world trade at the same time as inflationary pressures kept nominal interest rates at high levels. This would badly damage the ability of third world and Latin American debtor countries to

service their debts and could even precipitate the long feared world banking crisis.

These are the reefs and shoals which are to be feared rather than expected. Perhaps the main danger for the rest of the world is that the U.S. Congress will be panicked into dropping a protectionist dog, which could seriously slow the momentum of world trade.

The challenge for the U.S.'s partners is to find ways of crowding on sail to pull the economy through a period when the U.S. economy must inevitably be dragging it back.

The recent evidence points to this happening sooner rather than later. The slowing of U.S. output growth to an annualised rate of 1.3 per cent in the first quarter of this year showed how sluggish output is responding to demand, mainly because of shortages of imports.

The urgency with which this problem is viewed was emphasised in a carefully prepared speech by Mr George Shultz, the U.S. Secretary of State at Princeton University timed for the start of last month's series of meetings of finance ministers.

But although there is general agreement with Mr Shultz's case that faster growth is needed in the rest of the world, there is less argument on how this should be achieved.

To many people in the U.S. it seems reasonable that the other industrial countries, having benefited from the expanded U.S. export markets, should now do their part to keep world trade moving. Besides, it is said, inflationary pressures abroad making the deficit self-perpetuating.

The IMF says: "While this situation is, in the staff's judgment, unsustainable, it is much more difficult to say when, how, and by how much present trends will change."

Even if the dollar were to depreciate by 5 per cent a year in real terms, the IMF estimates that the U.S. would be left with a huge current account deficit of 3 per cent of GNP in 1990.

The problem is put more starkly by Morgan Guaranty in its latest World Financial Markets bulletin. It calculates that by the end of the decade on un-

changed policies and with the dollar at present levels, the U.S. current account deficit would be running at \$250bn by the end of the decade, and the net foreign debt would have risen from an expected \$120bn this year to \$1,000bn.

Morgan Guaranty estimates that a dollar depreciation of between 10 per cent and 12 per cent a year would be needed to bring the U.S. current account close to balance by 1993. But even then, net foreign debt would have risen to over \$400bn.

For its part, the IMF has emphasised the need for European countries to continue with tight financial policies and reductions in deficits, even though it strongly advises the U.S. to tighten its own stance.

Others, like Morgan Guaranty say this would be a recipe for disaster, arguing strongly that the U.S. trade deficit is only partly the result of its own fiscal policy and partly the reflection of slower growth and large surpluses built up in most other industrial countries, particularly Japan.

According to this view, an easing of policy outside the U.S. would soften what could otherwise be a very uncomfortable transition. Moreover, those who are sceptical whether the U.S. Congress will be able to deliver the planned deficit cuts rising to \$100bn by 1993, are especially anxious for action in Europe and Japan.

But the most that the industrial powers seem prepared to agree—in public at any rate—is that if and when the dollar and U.S. interest rates show signs of a steady weakening, they will reduce their interest rates.

Some of their caution clearly reflects doubts whether the U.S. administration will be able to pilot its relatively modest package of spending reductions through both houses of Congress. There are also doubts whether the proposed cuts would be enough unless matched by at least the same amount of tax increases.

And with the dollar still watchword seems to be: "wait and see."

## Swing to the securities markets

### International capital flows

PETER MONTAGNON

A PROFUND change in the patterns of world balance of payments has emerged since the end of the 1970s. While the huge current account surplus by members of the Organisation of Petroleum Exporting Countries has disappeared, Japan has seen its own payments position swing into substantial surplus and the U.S. is now running an annual deficit of about \$100bn.

Figures compiled by the International Monetary Fund for its latest World Economic Outlook show that oil exporting countries had a combined balance of payments deficit of \$5.7bn last year and are expected to remain in deficit by \$3.9bn in 1985. As recently as 1980 these countries had a combined surplus of just over \$100bn.

The International Monetary Fund predicts that the U.S. will run a deficit of \$117.5bn this year, exceeding even the record \$83.4bn posted for 1984. Japan's surplus is expected to increase to \$40.9bn from \$36.4bn in 1984. Economic adjustment measures undertaken by non-oil exporting developing countries have meanwhile helped their aggregate deficit fall to \$38.2bn last year from a peak of \$81bn in 1981. This year the deficit should slip further to \$35.2bn.

These raw figures have had a radical impact on the behaviour of the international capital markets. Long gone are the days of petrodollar recycling in which commercial banks were responsible for shifting large amounts of money from oil exporting countries to nations in which developed and developing world that faced mounting payments strains because of the higher price of imported energy.

Now the main dynamic involves a shift of funds from Japan, which is rapidly emerging as the world's largest creditor nation to the U.S. which



The Bank of England: According to a recent study by the bank new syndicated loans announced last year totalled only \$28.47bn compared with a peak \$131.49bn in 1981.

this year has become a net debtor nation. One consequence of this change has been that the relative importance of traditional commercial banking has declined. Recycling was essentially a commercial banking task, not least because the large oil exporters such as Saudi Arabia preferred to place their surplus funds with banks rather than take any direct investment risks themselves.

That led to the heyday of the syndicated loan market with multibillion dollar bank credits channelled to both industrial and developing countries.

Nowadays the surplus funds tend more to be in the hands of investors who prefer to buy securities, such as for example Japanese pension funds and insurance companies. This means that the securities market has become more important than the bank loan market as a vehicle for international capital flows.

According to a recent study by the Bank of England, new

syndicated loans announced last year totalled only \$28.47bn compared with a peak of \$131.49bn in 1981. Salomon Brothers, the U.S. investment bank, meanwhile, calculates that international bond issues totalled a record \$100bn in 1984.

Statistics produced by the Bank of England for international settlements also shows a marked slowdown in the growth of international bank lending. In the first nine months of last year total lending grew by only \$71.3bn compared with \$109.1bn in the whole of 1983, the bank says. As recently as 1981 lending had grown by as much as \$264.8bn. In the third quarter of last year total lending actually recorded its first quarterly fall since the collapse of the German Bankhaus I. G. Herstatt in 1974 with a drop of \$4.4bn.

One feature of the first nine months of last year, according to the BIS, was the very slow growth of international lending by banks in the U.S. which

grew by only \$6.4bn to \$403bn. At the same time the U.S. banking system was a substantial borrower of funds from abroad with external liabilities of U.S. banks rising by \$18bn to \$316.7bn.

The banking system thus acted as a net importer of capital to help finance the country's growing balance of payments deficit.

At the same time, new lending to non-oil developing countries was at a virtual standstill with loans outstanding rising by only \$1.4bn to \$327.7bn. Loans to Eastern Europe actually fell by \$3.2bn to \$48.5bn, though this partly reflects the depreciation of European currencies in which many of these loans are denominated.

As loans to Opec members also dropped by \$4.1bn to \$104.6bn during the same period, that left only smaller developed countries as in any way large takers of funds from outside the big industrial countries which report figures to the BIS. Their borrowings rose by \$4.5bn to \$69.7bn.

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## World Banking 3

## Beset with setbacks on several fronts

## The international debt problem

PETER MONTAGNON

EFFORTS TO resolve the developing country debt crisis are still beset with setbacks three years after the first signs of balance of payments problems first appeared in Latin America. Though fears of a brutal collapse of the international banking system have receded, the financial world is still gripped with a deep malaise, and it will clearly take many years before the debt shock has fully worked its way through the system.

Recently disappointments have come on several fronts at once. Argentina, whose inflation rate now exceeds 80 per cent, has seen its \$1.4bn loan programme suspended by the International Monetary Fund (IMF) to allow time for new economic targets to be negotiated. This has also meant delays to the completion of its \$4.2bn credit from commercial banks. As a result the government of President Raul Alfonsín is once again critically short of foreign exchange. Arrears to creditors are mounting; they now approach \$1bn and stretch back to last November.

In Brazil the death of President-elect Tancredino Neves has stalled efforts to reach agreement with the IMF on a new programme for this year as well as on the terms of a \$43.5bn rescheduling of commercial bank debt due between now and 1990.

At the same time the country's trade position has deteriorated. In the first quarter he surplus fell 18 per cent to 1.96bn compared with the same period of 1984, leading to doubts that the target of 12.9bn for 1985 as a whole can be met. Though Brazil now has some \$8bn in usable foreign exchange reserves, doubts abound that Brazil will be able to seek a further bank loan for this year, despite repeated denials from Sr Antonio Lemgruber, the new central bank Governor.

The Philippines, meanwhile, as run into difficulties with a \$250m loan from bank creditors needed to close its payments gap for 1985. One bank - National Commercial Bank of Saudi Arabia, has declined to put up its \$13m, arguing that it is not a bank but a special case.



Bank depositors wait outside the Buenos Aires branch of the Boston Bank in order to withdraw their money after the Argentine Government issued a law suspending payments of fixed term deposits in foreign currencies.

because its loans to the Philippines were mainly in the form of guarantees to Filipino contractors working in Saudi Arabia and short term oil finance. The advisory committee of leading creditor banks chaired by Manufacturers Hanover has, however, resisted these arguments. It is worried that letting the Saudi bank walk away from its commitment would create a dangerous precedent that others might seek to follow.

Yugoslavia has been unable to agree terms with its bank creditors for a rescheduling of some \$3.5bn in debt falling due between now and the end of 1988. Bankers believe it is stilling the negotiations in an effort to secure better terms.

Back in Latin America, Chile faces difficulties persuading its bank creditors to agree to its request for a \$1.05bn credit for 1985. The banks argue that the amount is too high and more than a reluctant market will bear. And, perhaps more worryingly still, Sr Alan Garcia whose APRA party is due to form the new government in Peru has

said he will try and bypass the IMF in talks on that country's \$13.6bn foreign debt. He also says he wants to limit debt service payments to no more than 20 per cent of export earnings.

It all adds up to a long catalogue of woes, and even the most naturally optimistic banker could be forgiven for wondering whether such a long list of problems could ever be satisfactorily resolved. The main difficulties are very clear.

First, there is evidently a great reluctance among creditor banks to put up endless amounts of fresh credit for debtor countries in need. This is central to Chile's problem, but it has also shown up in other countries too. For example, Ecuador, which has performed well under its IMF programme encountered resistance to its request for a relatively small credit of only \$200m.

Second, with growth still very sluggish in most of the debtor countries there is growing opposition to the austerity regime prescribed by the IMF

inflows of fresh credit have dwindled interest payments involve a net transfer of funds from debtor to creditor. Political pressures in many countries are building up to reverse this flow so that resources can again be applied to growth and development spending.

So far, however, these arguments have cut very little ice with the governments of industrial countries. Here one of the main worries is that global concessions to debtors in the form of say, subsidies on interest payments would cost taxpayers money and unduly benefit those countries which do not actually need such help.

The availability of such assistance would also discourage the debtors from keeping up the struggle to adjust their economies and reduce inflation. Unless efforts in this direction are carried through there is little prospect of any sustainable recovery in the debtors' balance of payments.

At the recent meeting of the IMF's interim committee in Washington, industrial country governments thus largely turned aside requests from the debtor countries for more lenient treatment from the IMF and for the establishment of new channels of international finance.

Instead they reaffirmed their belief that problems should be treated on a case-by-case basis with those countries that do most to improve their economic position rewarded by favourable multi-year rescheduling terms with agreements to defer debt for many years ahead.

Mexico, which remains the blue-eyed boy in this respect, has already been rewarded with a multi-year agreement from bank creditors. Ecuador is also set to receive a multi-year agreement from governments.

The aim is to provide a positive example which other debtors and creditors will want to follow. Whether they will be able to do so in this year's more difficult climate remains an open question.

## Tighter control needed during period of change

A SENIOR European bank supervisor was recently running through the world's leading industrialised countries in his mind to see which had had a major banking crisis in the last two or three years. To his surprise, he realised that he should have addressed the question the other way round: only one of the Group of Ten had not had a deal with an actual or near bank collapse - France, a country where all the banks are state-owned anyway.

This salutary tale shows just how fragile banks can be. But it also reinforces the need for continued improvements to bank supervision, particularly at a time when the banking industry is undergoing profound changes and new types of risks, some of which may not yet even have been identified.

If there has been a lesson in the rise like Schroeder's Munich, Mayor Heneg, Ohio State Savings Bank and Johnson's (where a post-mortem is still in progress) it is that the banks run the greatest dangers through increasingly large exposures to single borrowers or sectors, and then they have inadequate systems of control.

The JMB affair has also provoked a debate in the UK about supervision which could lead to tighter controls.

If the newspaper headlines suggest that supervisors have not been as awake as they might be, they can at least point to several less eye-catching but more solid achievements. The regulation of financial services which is going on around the world is being matched by a stable tightening of supervisory standards in many countries.

U.S. bank supervisors are raising banks to boost their capital ratios, the Bank of England is setting firm rules for banks taking advantage of the city revolution to get into the securities business, German banks have been given higher reporting standards, and so on.

For the banks themselves, many of these measures have been unpopular and costly, and bankers have had to be persuaded that they are for their own good: the case being that the banking environment is becoming riskier, then banks must be stronger and more closely watched.

The supervisors' main task has been to get banks to rebuild their capital base. Even countries like France and Japan, whose banks have a reputation for being less capitalised than others, are making progress. This has been done by a

number of means: banks have raised new debt or equity; their improved profits have enabled them to retain a greater proportion of the earnings; some have strengthened their capital ratios by dealing less in the inter-bank market and thereby shrinking their balance sheets.

The drive to increase capital, however, has raised new questions like "what is capital?" and "how much of it is enough?"

Supervisors do allow capital in forms other than equity to count as primary capital, like preferred stock in the U.S. and some forms of loan loss reserves. But the recent debate in the UK over terms for loan stock and perpetual floating rate notes has shown that supervisors are just as concerned about the quality of capital as the quantity.

Banks were hoping that they could include capital raised in

## Banking supervision

DAVID LASCELLES

these forms in their ratios but the Bank of England said only on condition that they were mandatorily convertible into equity if the issuing bank got into trouble. The banks complained that no one would ever buy securities on such terms. However, they now seem to be coming round to them.

Three banks, NatWest, Royal Bank of Scotland and Rothschilds, have made successful qualifying loan stock issues. Last week, Lloyds Bank broke new ground with a highly successful \$800m perpetual floater, and Midland Bank may shortly follow suit.

Supervisors will continue to press for higher capital levels. However, capital strength is no guarantee against failure, as was shown at Continental Illinois last year - one of the better-capitalised banks in the U.S. - showed. The challenge for supervisors now is to monitor other measures like liquidity and risk.

The U.S. authorities are proposing higher capital levels for less liquid banks. However, they have not adopted the European practice of measuring bank assets according to their riskiness and creating a "risk asset ratio".

An attempt to account for hidden risk lies behind another supervisory initiative: tighter

control of off-balance sheet risk to match the rapidly growing practice among banks of replacing their traditional lending business with loan guarantees or contingent liabilities.

Most striking has been the growth of the \$35bn Euronote issuance facility market where banks undertake to advance funds to companies who cannot roll over a securities issue on favourable terms.

These facilities do not appear on the balance sheet, yet they represent an undertaking by a bank to make a loan when a company is likely to have difficulty obtaining finance from its normal sources and supervisors feel it should be backed by capital.

In April, the Bank of England took the first step by announcing that these commitments should incur a risk weighting of 0.5, meaning that they would count in a bank's ratio at half the weighting of a full loan.

The Japanese subsequently came up with 0.3 per cent, and the Bundesbank warned banks of the risks, though without introducing any measures.

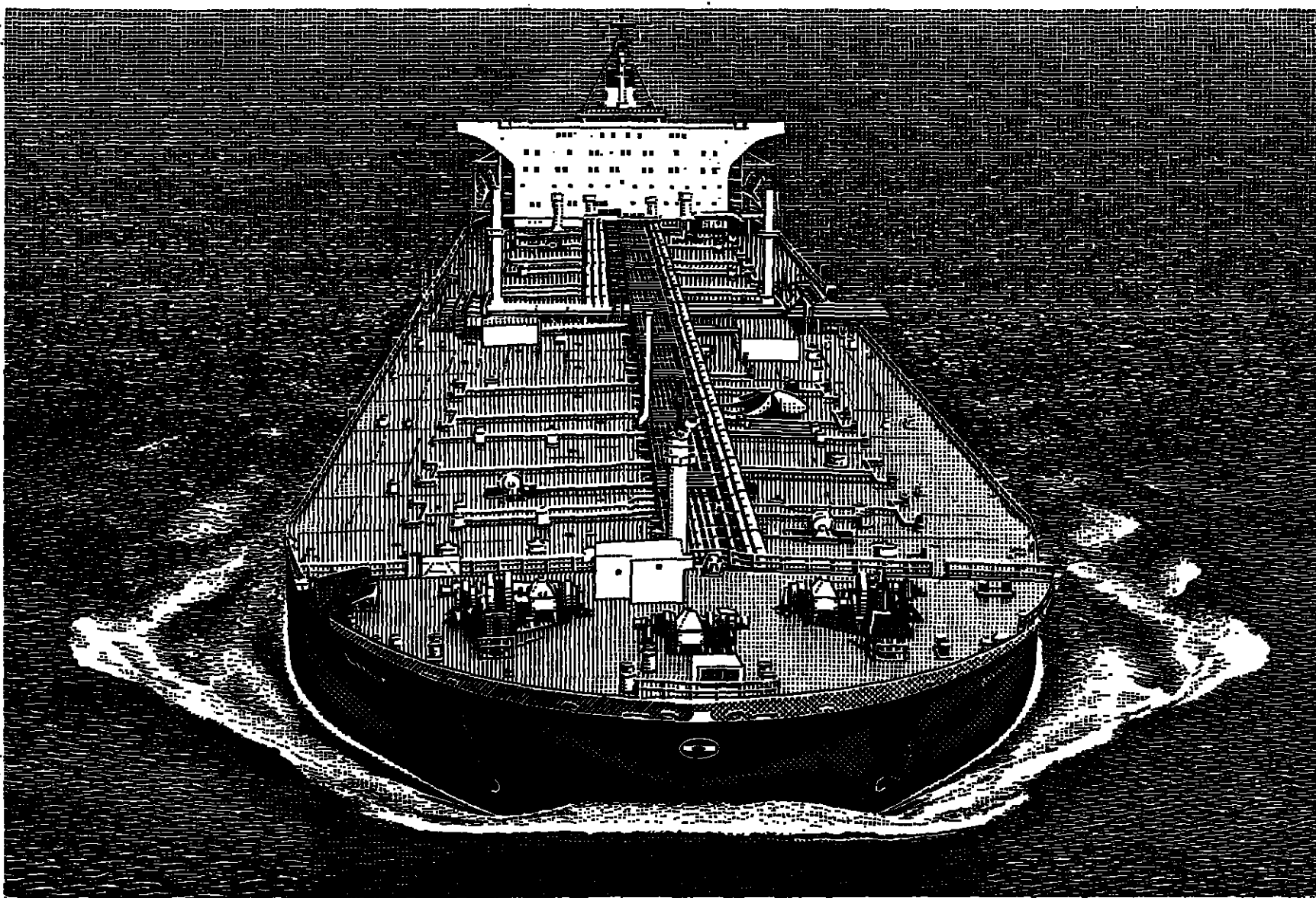
The U.S. authorities are also watching the situation, though they cannot take similar steps to the UK and Japan without jeopardising the \$250bn commercial paper market where all issuers must be backed by bank lines of credit which are very similar to Euronote facilities.

The U.S. dilemma highlights a broader question: how widely should supervisors define off-balance sheet risk? Does it include standby letters of credit, loan commitments, even contingencies that arise when banks enter into options, Future Rate Agreements and interest rate swaps? The Bank of England, which is conducting a review, is examining all these possibilities.

The dangers came across starkly for Bank of America three months ago when it had to make a special provision of \$80m to cover debt property investments which did not even appear on its books: it was acting merely as trustee and escrow agent. The test, as one supervisor said, "is whether people will look to you to make things good if they go wrong."

Without international co-ordination by supervisors, though, there is a limit to how far the authorities in one country can go without simply driving less desirable activity into more lightly regulated centres, and supervisors will continue to strive for international standards through forums like the Basic Committee and the EEC Commission.

## Trade Finance: A Tradition at NBK.



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## CENTROBANCA

BANCA CENTRALE DI CREDITO POPOLARE

Sede in Milano - Corso Europa n. 20  
Iscritta al tribunale di Milano al n. 53177

The ordinary and extraordinary Meeting of Centrobanca shareholders was held on 19 April 1985 at its head office in Milan, Corso Europa 20, under the Chairmanship of Cavaliere del Lavoro Lino Venini.

The ordinary Meeting approved the balance sheet for the financial year 1984, which closed with a net profit to be distributed of Lire 23,195,417,027 - (including Lire 1,356,832,464 - as a net profit of the Agricultural Section); a dividend of 10% per annum was declared.

Loans in being at 31.12.1984 stood at Lire 2,666.0 billion and managed funds at Lire 5,517.5 billion.

After conversion of the third tranche of Lire 25 billion of the original convertible debenture stock of Lire 100 billion and the adequate reserve and risk funds provisions, the net assets at 31.12.1984 totalled Lire 359.1 billion (Lire 300.1 billion at 31.12.1983).

The ordinary Meeting further approved the establishment of provident funds to integrate those of I.N.P.S. for the benefit of the staff.

Following the resignation of Cav. Gr. Croce Dott. Giancarlo Rossi and of Cavaliere del Lavoro Dott. Giancarlo Bellemo, the Meeting brought the Board of Directors up to strength by appointing Comm. Dott. Aniceto Vittorio Ranieri and Comm. Roberto Polverini respectively as General Manager of Banca Antoniana di Padova e Trieste and General Manager of Banca Popolare di Lecco.

The extraordinary Meeting approved the amendment in Art. 8 of the Company's Statute in relation to the company's capital increase to Lire 125 billion as a result of conversion of the third tranche of convertible bonds in shares.

The Company's Executive body is thus composed:

The Board of Directors: President Cavaliere del Lavoro Lino Venini; Vice Presidents Lorenzo Suardi and Aldo Cova; Directors Franco Carniglia, G. Battista Caria, Antonio Ceola, Gianfrancesco Del Nero, Giovanbattista Fiorentini, Angelo Guerra, Angelo Mazza, Marcello Melani, Piero Melazzini, Carlo Pavesi, Massimo Pinelli, Roberto Polverini, Giorgio Pulini, Aniceto Vittorio Ranieri, Michele Stacca, Giuseppe Vigorelli.

Secretary to the Board of Directors is the General Manager Marcello Gentile. The Board of Auditors: President Cavaliere del Lavoro Francesco Parrillo; Permanent Auditors Pietro Agnoluzzi, Ottavio Fontanesi, Umberto Menesatti, Giovanni Salsi; Temporary Auditors Josef Froeschmayr, Onorato Orrelli.

The statement of assets and liabilities at 31.12.1984 was certified by R.I.A. - Società Nazionale di Certificazione S.p.A. - Milan.

SUMMARY OF THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1984 (in billion Lire)

ASSETS		LIABILITIES	
Funds and securities	2,521.7	Certificates of deposit	4,003.2
Loans in being	2,666.0	Bonds	830.3
Other items	712.9	Funds from abroad	228.0
	<b>5,900.6</b>	Correspondent creditors	38.1
		Funds from public Bodies and institutions	30.7
Loan applications accepted	710.6	Other items	402.6
			<b>5,530.9</b>
		Assets of the Company*	346.5
		Net profit for the year	23.2
			<b>5,900.6</b>

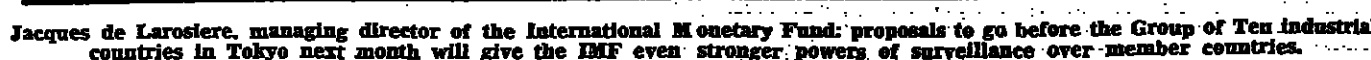
\* 359.1 after allocation of profit.





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## The IMF

MAX WILKINSON

has not been lost on the major powers would be that surveillance of debtor countries would be stepped up. Although they would be treated in an even-handed way along with the industrial countries, tighter routine supervision, with perhaps more publicity for the findings could go some way to solving the longer-term questions of how to persuade the commercial banks to continue with rescheduling operations when present fund pro-

**The World Bank**  
STEWART FLEMING

bank funding is drawn and the bank is already a huge borrower outside the United States.



Volume of New  
Syndicated  
Bank Credits

Below: The Brussels course in April Belgium tapped the bank floating rate note market for \$200m.



## Borrower demand disappears

The syndicated  
loan market

PETER MONTAGNON

ARE BANKS in the business of lending any more? To judge by developments in the syndicated loan market over the past year the answer could almost be no.

Uncertainties left by the developing country debt crisis and the rapid growth of investor demand for marketable debt have left the syndicated loan market, once the mainstay of international banking, in the doldrums.

While Latin American borrowers lack the creditworthiness needed to raise large amounts of extra finance, borrowers in the industrial world have begun to find it cheaper to tap other sources of funds in the bond market and the burgeoning Eurobond market.

As a result, the business of international banking has experienced a period of change more fundamental than any since the oil shocks of the early 1970s. Then the steep rise in the price of oil paved the way for massive external recycling funds from cash rich

Opec (Organisation of Petroleum Exporting Countries) countries to those whose ballooning energy bills left them with difficulty making ends meet.

That recycling was largely carried out by the banking system through the international loan market. But now the oil shocks have been largely absorbed. There is less demand for loans and more attention is being paid to managing the cost of existing borrowing.

As attention switches away from bank borrowing to cash management there is no longer so much need for the kind of multi-billion dollar financing being intermediated by the banking system as recently as 1982 or 1983.

Indeed, few major industrial countries now raise funds in the syndicated loan market. Belgium and Italy, for example, chose to tap the cheap floating rate note market in April for amounts of \$300m and \$400m respectively, while in the Far East even Indonesia has turned its sights on the Eurobond market (in which funds can be raised by the continuous sale of short-term paper at money market rates) for a \$400m facility.

Only in a rather narrow intermediate band of credit risk

does the syndicated loan still dominate. Greece, for example, raised \$450m this spring. Its rising debt and political problems make it a difficult name to sell in the securities market.

East European countries still tap the syndicated loan market, partly because their recent history has shown them that they can be vulnerable to swings in the political and economic climate if they rely on the short-term funding market.

Some East European deals this year have been phenomenally successful. A loan for the Deutsche Auslandsbank, East Germany's foreign trade bank, was increased from \$150m to \$500m because of massive over-subscription. One argument runs that this shows how international banks are still fundamentally keen on lending when good opportunities arise.

The truth is a little more complicated than that. Following the debt crisis most banks are facing a need to improve their capital gearing ratios. This need is reinforced with non-U.S. banks whose dollar business has been artificially inflated by the rise of the U.S. currency in exchange markets.

What banks are looking for nowadays is much more the

opportunity to boost their return by trading activities and other forms of off-balance sheet business, rather than by adding new chunks of lending to their balance sheets.

That explains why some banks are now spending more time trading the loans already on their books rather than seeking out new mandates.

Most new syndicated loans now have transferability written into their conditions to meet this growing fashion. At the same time the Eurobond market in which \$17.4bn was raised last year has gained markedly in significance despite the very low returns offered to lenders.

This market is not without risks, however. Banks have been piling up large underwriting commitments in this market and the Bank of England, for one, has become so concerned that it now insists these commitments should be included in the risk asset ratio used in the UK to measure capital adequacy.

That may mean an increase in underwriting fees, but it scarcely seems to herald a revival of syndicated lending.

Borrower demand is no longer there—and the securities markets now offer a range of cheaper—and more flexible alternatives.

## Difficulties fail to shake confidence

The  
interbank market

PETER MONTAGNON

FRESH WORRIES about the developing country debt crisis and the difficulties encountered by the savings industry in Ohio have had remarkably little effect so far on the international interbank market.

This \$2,000bn market is the powerhouse of international lending. It acts as a pool of money from which banks can draw to finance their credit business. Most bankers and economists agree that a sound interbank market is essential to the smooth functioning of the world's financial system.

That is why a financial crisis which might cause problems for banks operating in this market is always viewed with great concern by central banks and other monetary authorities. As the chart shows, however, the recent difficulties have had little impact on one crucial indicator of confidence.

After the Mexican debt problem surfaced in 1982 there was a major flight to quality in financial markets. Investors began to worry that banks were unsound and put their money instead in the safe haven of U.S. Treasury bills. In October 1982 the yield difference between three-month Treasury bills and three-month Eurodollar deposits widened to a high point of just over four percentage points. Last summer, at the height of the Continental Illinois crisis, the differential was again wide at about 2 points.

That meant banks were having to pay a hefty premium for their funds. In mid-April this year, however, the differential was only 0.72 per cent, which is below the trend line of the past two years. Either bank depositors have misread the situation, or it is not as bad as many commentators believe.

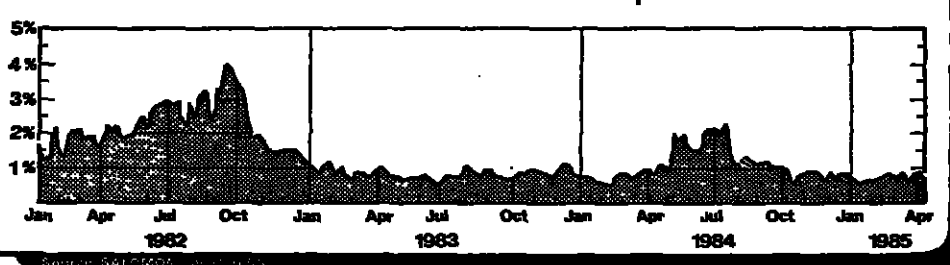
U.S. bankers argue that the Ohio problems, which helped to weaken the dollar in exchange markets, were not nearly as far-reaching as many European dealers claimed. The amounts of money involved are tiny, compared even with Continental Illinois.

As far as the debt crisis is concerned, its power to shock seems to have ebbed. It has now been rumbling on—for nearly three years and during that time no bank has actually failed because of its involvement with Latin America. So,



The banking hall of Continental Illinois in Chicago. Last summer at the height of the bank's crisis the yield difference between three-month Treasury bills and three-month Eurodollar deposits was about two points.

## PREMIUM PAID BY BANKS on 3-Month Eurodollar Deposits Over U.S. T-Bills



faith has grown in the authorities' ability to cope successfully with almost any emergency.

The debt crisis has, however, left its mark on the interbank market. Since it surfaced in 1982 it has helped produce a marked decline in the growth of international lending generally. At the same time there has been a rapid growth in business transacted through the international bond markets. So, banks need less money than before to finance their international business.

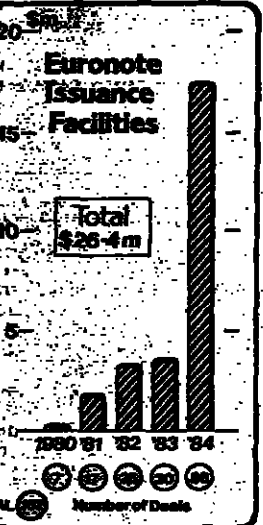
As a result growth of the

interbank market has slowed markedly according to figures compiled by the International Monetary Fund. By the end of September last year cross-border interbank borrowing totalled \$1,912bn. This was an increase of only \$126bn on September 1982, whereas by then the total had already risen \$516m since the start of the decade.

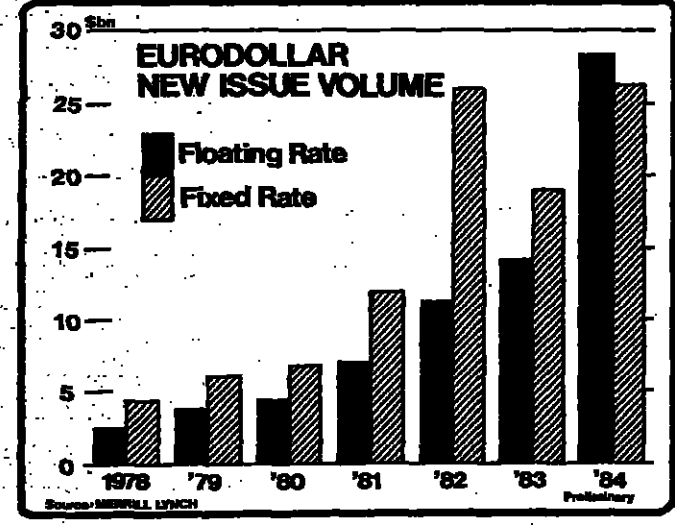
This slowdown in the growth of interbank business is a main symptom of radical change in the business of international banking. Most banks are now

concerned with improving their capital gearing ratios, and that means cutting out unnecessary business as well as adding to their capital.

Gone are the days when borrowing a few hundred million dollars from the interbank market was a way of bloating the balance sheet and giving an illusion of size and vigour. Nowadays, banks have become leaner. Profitability rather than size is a key objective—and that tends to rule out interbank business for its own sake.



Eurobond growth has come from both fixed-rate and floating-rate issues, though the latter has taken a greater share of the market



## Market trends in Eurodollar FRNs

	1978	1979	1980	1981	1982	1983	1984*
Number of issues	27	56	48	65	81	60	148
Average basic margin over Libor (basis points)	39	31	24	27	25	16	14
Average maturity (years)	9.7	9.7	8.0	8.5	9.6	10.3	12.4
Average issue size (\$USm)	58	57	74	90	129	170	189

\* January to November.

Source: Merrill Lynch.

## Set for further expansion

## Euromarkets

MAGGIE URRY

THE TREND towards the securitisation of the international capital markets has led to enormous growth in Eurobond new issuing business. In 1984, the total value of new issues reached a staggering \$80bn, a rise of 69 per cent from the 1983 total. Already this year issues are appearing at a rate far faster than that of 1984.

The growth has come from both fixed rate and floating rate bond issues, though the latter have taken a larger share of the market. Floaters have become more popular with investors, typically banks, than the syndicated loans they often replace.

Demand from these investors for such paper has grown so much that borrowing costs have fallen sharply. Now top borrowers, such as sovereigns like Sweden and France, are even repaying early old floating rate bond issues and replacing them with new, cheaper issues.

Also floating rate deals have become more and more sophisticated, with innovations such as perpetual issues coming to the market. The first of these are dated deals—which the

borrower need never repay—appeared a year ago from National Westminster Bank, and other banks and sovereign issuers have followed.

However, borrowers do not have to tap the floating rate market directly in order to obtain floating rate funds. Nor do they have to make an issue in dollars if they want dollars. Swaps—both interest rate and currency—are now a major part of the Eurobond market. At times last year around two-thirds of the deals being done were swaps.

A swap allows a borrower to tap the market where it can raise funds most easily and cheaply, but then pass the liability to another borrower and obtain money in the currency and with the interest rate structure it prefers. Swaps open up a much wider range of financing possibilities to companies and countries.

The dollar still dominates the Eurobond market, and three-quarters of the new issues made in 1984 were denominated in this currency sector. That is beginning to change. While the dollar was rising, investors were happy to buy dollar bonds to make a currency gain as well as, they hoped, a capital profit.

Now that the dollar has shown signs of cracking, investors in Europe and the Far East are far more wary of buying dollar

paper. Other currency sectors of the market have benefited as a result with demand for issues in Deutsche marks, sterling and European Currency Units all growing.

The more obscure parts of the market have also seen new life—issues in Australian and New Zealand dollars, Norwegian kroner, and Canadian dollars have increased, while the Euro-French franc bond market has been reopened and the Euro-Danish kroner bond market started.

Liberalisation moves have also been opening markets further. In the Deutsche mark sector, foreign banks based in Germany were allowed to lead manage issues from May 1, and instruments such as floating rate notes and zero coupon bonds, previously banned, are now sanctioned.

The Japanese Ministry of Finance, under pressure from the U.S. authorities, has opened the Euroyen bond market to a wider range of borrowers, and lifted the withholding tax which had been payable by Japanese companies making Euroyen issues.

The Eurobond market is in a remarkably healthy state, and looks set to see further strong growth. However, that growth may well be exceeded by bankers' desires to enter the market, and competition is also at record levels.

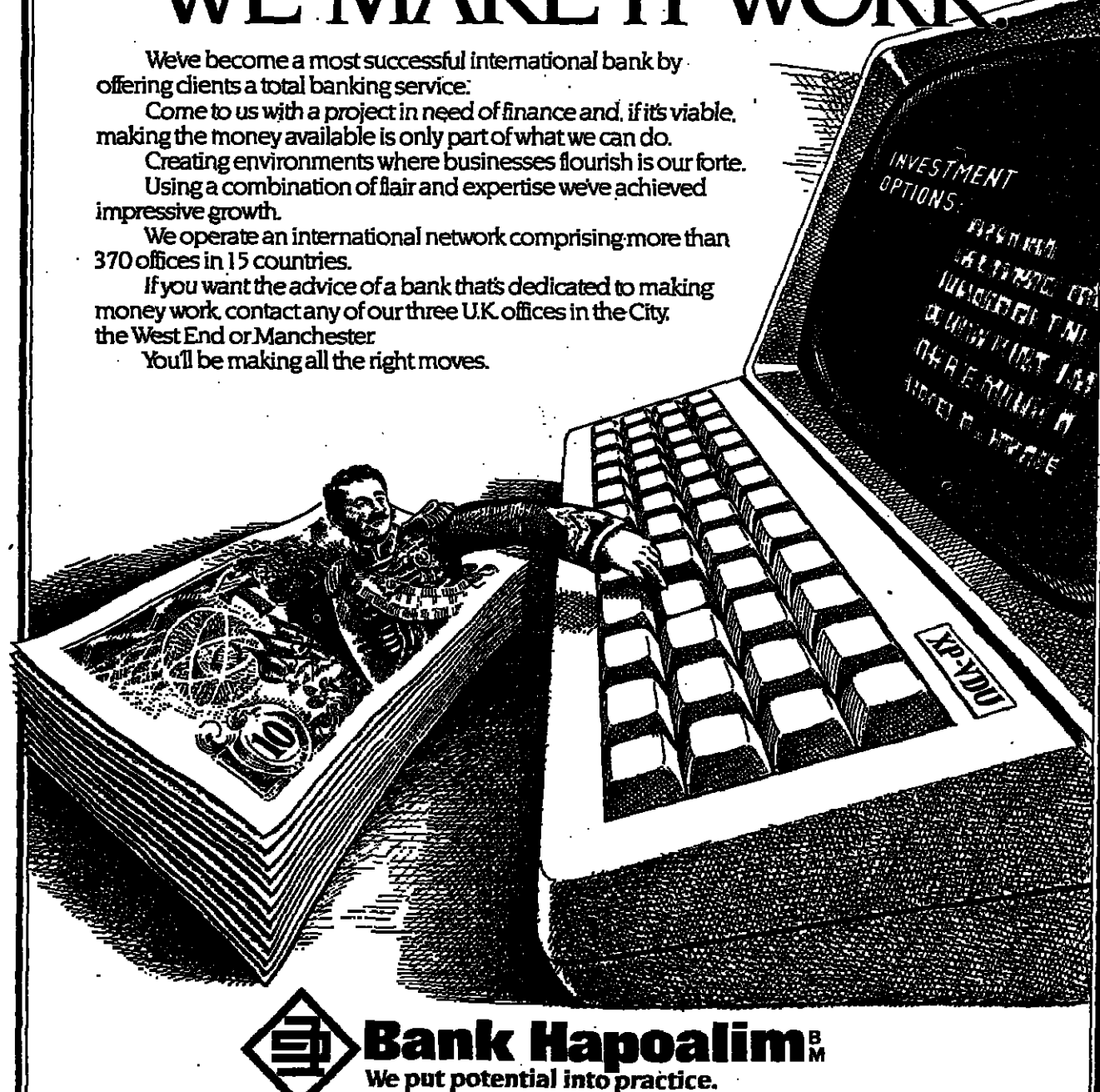
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## World Banking 6

## Speculative side of market expands

Foreign Exchange  
PHILIP STEPHENS

IF THE RISE and, more recently, the fall of the dollar have mesmerised watchers of the world's foreign exchange markets these past few months, a parallel trend has probably been of equal importance to investors and to industry.

The dollar's changing fortunes have further accentuated the extreme volatility which has crept into currency dealings since the early 1980s.

As the U.S. currency climbed to a peak of DM 3.45 earlier this year before tumbling back to below DM 3.00 in a matter of weeks, swings of 2 or 3 per cent of the value of major currencies in a single day became almost commonplace.

The pound, in January on an apparently unstoppable path to dollar parity, appreciated by a staggering 20 per cent against the U.S. currency in the month following the March 19 Budget.

The trend has been encouraged by the growing sophistication of corporate treasurers and fund managers who see active foreign exchange trading not only as a way to hedge risks but also as a source of potential

profit in its own right. Some of Europe's major car manufacturers, for example, have gained a reputation for aggressive currency speculation, while oil companies and other multinationals often run dealing rooms little different from those operated by the banks.

At the same time the spate of new financial instruments such as currency futures and options (conceived initially as hedging devices) have added to the weight of the speculative side of the market.

This sharp increase in exchange rate volatility has encouraged a much more aggressive role by central banks in intervening to prick what they regard as "speculative bubbles".

Ironically, that in turn has added to the swings as the central banks have adopted what is termed "destabilising" intervention, catching speculators at times when the market has moved too far and fast in one direction.

The celebrated joint intervention at the end of February wiped 5 per cent off the dollar's value in a matter of hours.

The evidence that, in markets turning over tens of billions of dollars a day and driven more by short-term capital than by trade flows, currencies can "overshoot" for very long periods has also prompted a more fundamental re-think

THEY'RE CERTIFICATES OF DEPOSIT—SO MUCH MORE ATTRACTIVE THAN GOLD AT THE MOMENT



among governments.

While there appears little chance of governments setting "target zones" for their currencies there is now much more of a shared view that foreign exchange markets cannot just be left to the speculators.

Britain, for example, which since 1981 had pursued a policy of benign neglect of the pound now has a more or less explicit exchange rate policy. Membership of the European Currency

System, once openly scorned, is not yet favoured.

The signs that the dollar's surge may have finally run out of steam have also produced a subtle shift in U.S. thinking towards a more active stance.

Mr James Baker, the U.S. Treasury Secretary, appears

temperamentally far more suited to close international collaboration than his predecessor Mr Donald Regan.

The discussions among industrialised nations aimed at boosting the "surveillance" role of the International Monetary Fund over the economic policies of member countries are a step, albeit small, in the direction of trying to achieve this.

For the immediate future, however, investors and companies involved in international trade will probably have to live with increased volatility in currency markets.

If, and it remains an important if, the dollar's rise to DM 3.45 marked its peak, there is no certainty that its decline will be any more orderly or any less disruptive than its rise.

The reaction to the sharp slowdown in U.S. economic growth in the first quarter by an initial steep fall followed by a fairly strong rebound suggests that investors in the U.S. currency remain reluctant to admit that it may finally have turned.

Whatever the short-term outlook (and there are those predicting that stronger U.S. growth in the current quarter could stimulate a new dollar surge) there remains deep concern over the longer-term implications of the imbalances in the U.S. economy.

The collective wisdom suggests that flood of overseas funds into the U.S. over the past few years has left the dollar overvalued by between 35 and 40 per cent against other currencies.

On current trends the U.S. budget and current account deficits would leave the U.S. with something like \$1,000bn of foreign debt by the early 1990s.

The worry is that if sentiment towards the dollar does change decisively as a result of a failure by the U.S. administration to tackle the budget deficit then at some stage the dollar could well "overshoot" in the opposite direction.

That in turn could lead to a sharp rise in U.S. inflation and interest rates and perhaps all the rest of the industrialised world into recession.

Hopes for a "softer landing" for the U.S. currency are now pinned on the current rhetoric between the White House and Congress on deficit cuts being translated eventually into a credible package.

So far the signs have not been universally encouraging, but have been enough to persuade the majority of investors in dollars that even after its recent reversal the U.S. economy still offers a worthwhile return.



The London Gold Futures Market: Dealing in gold has been conspicuously lacklustre of late.

## Investment demand missing

"MAY YOU live in interesting times," ran the ancient Chinese curse, calling down war, famine, pestilence and all sorts of other unpleasant things on the head of one's enemy. People have always turned to gold in "interesting" times, especially when these have looked like being accompanied by a period of monetary instability.

The last year or so has been no less "interesting" than the late 1970s, when the gold price was engaged in its run-up to the all-time peak in U.S. dollar terms of \$850 per ounce. Yet the gold market has been conspicuously lacklustre of late, the only feature being a steady decline.

The real problem for gold has been the virtual absence of one of the three traditional determinants of the metals price. Demand for use in jewellery has remained broadly steady for some time, while the broad category of industrial gold use, which ranges from electronics to dentistry, has largely recovered to pre-recession levels.

The missing component is investment demand. The man in the street has continued to tuck away a few Kruggerands or Maple Leaf coins against a rainy day but this has effectively been offset by distress

sales from the central banks of countries with heavy debt burdens. The net effect has been the virtual disappearance of this component of demand.

The reason behind this has been the return to an era of very high real rates of interest, first in the U.S. and subsequently in a number of other

coupled with a resurgence of concern over the stability of the U.S. banking system.

All this was overblown by the growing belief that even an economy as inherently robust as that of the U.S. cannot continue to support massive and growing budget deficits indefinitely and corrective action will have to be taken.

Any one of these would be enough to open the gates for a flood of money out of the dollar, and gold could once again come to be seen as a convenient store of value at times of monetary instability.

If this does happen, it would put some real momentum behind the upward movement in the gold price, at least in the short term, although the steady increase in supply we have seen during the first half of this decade should provide a limit to the extent of the price rise in the medium to longer term.

At present, the market is reasonably well balanced, with demand for use in jewellery and for industrial applications rising gradually to match the increased supply. The balance of forces involved is extremely delicate, however, and even a small shift in the relationships could produce large swings in the gold price.

## Gold

GEORGE MILLING STANLEY

countries as they tried to prevent their currencies from declining further against the dollar.

The returns on investment in financial instruments, even simple bank or building society deposits, have been extremely high and investors have naturally chosen to put their money into them rather than into a metal which pays no dividends and was declining in value.

The recent sharp upturn in the price did nothing to distort the mirror-image concept, being simply a direct consequence of the fall in the dollar. This was caused by fears that the economic recovery in the U.S. might be running out of steam.

## Increasing number of options

The Hedging Markets  
DAVID LASCELLES

FIRST IT was financial futures, then interest rate swaps. The catalogue of new-fangled financial instruments has now extended into Future Rate Agreements (FRAs) and financial options, many of which still mean little to people outside a select band of corporate treasurers, bankers and traders.

But they are all growing, some of them quite fast, as a means for companies and institutions to protect themselves against sharply fluctuating currencies and interest rates—and for speculators to try their luck and skill.

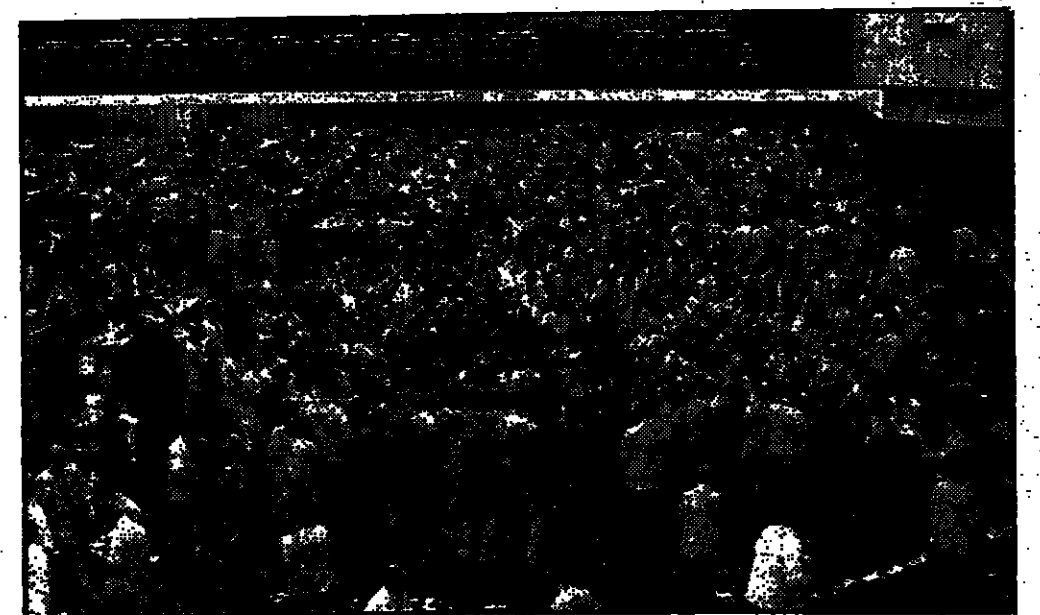
What they do have in common is the opportunity to lock in a cost of money or foreign exchange ahead of time, but in different ways. Some, like financial futures, impose an obligation to deal at a particular price and time. Options, on the other hand, allow the purchaser to walk away if a better deal crops up elsewhere.

Some of them are traded in standardised form on exchanges, which gives greater liquidity but less flexibility on size and timing. Others are tailor-made by banks for their customers, which is convenient, but usually more expensive.

Many people, including Citicorp, Merrill Lynch and Tradition brokers of Switzerland, claim to have invented the FRA, which has appealed by virtue of its simplicity. Essentially two parties, usually banks, to compensate each other at some future date for whatever change in interest rates has occurred in the meantime, it has developed over the past year into a sizeable inter-bank market, much of it transacted through London-based brokers.

Tradition, which has the lion's share of the market, moves deals totalling \$140m-\$150m every day. The average deal is \$15m, but some are as large as \$80m.

About 85 per cent of this represents inter-bank dealings, meaning that few end-users actually tap the market. Usually banks put together interest rate guarantees (IRG) packages for their corporate customers, and then protect themselves against the risk in the FRA or other hedging markets. This way the corporate treasurer need only know the terms he has secured and the price he is paying for them: the complicated part is done by the bank.



The Chicago markets: Trading in financial options has begun.

Less developed, but, in many bankers' opinion, potentially much larger is the budding market in financial options: interest rate and foreign exchange.

Of the two, foreign exchange has got off to a faster start because of a strong underlying forward market to trade off, and people's worries about currency risk.

With an option, the customer buys the right but not the obligation to trade a given amount of foreign currency at a given rate on some agreed date in the future. The cost is a premium linked to the likely volatility of the currency in the meantime, usually up to 5 per cent of the sum covered by the option.

The attraction is the choice the customer has of simply not exercising his option if the cash market moves his way.

Mr John Heywood, director of Hambros, who has been closely involved in the establishment of the London options market, points out that this enables a businessman to use the best rate available at the time he actually needs the money. Other hedging devices usually oblige the customer to deal at whatever rate he has selected possibly months before.

Currency options can be divided into those traded in standard form on exchanges and those set up on a tailor-made basis by banks.

Philadelphia and—in Europe—Amsterdam are the major exchanges, with Montreal now establishing itself too.

This summer, both the London Stock Exchange and the London International Finan-

cial Futures Exchange (LIFFE) will also begin trading currency options, though many people wonder whether it would not be wiser for the two to pool their efforts rather than risk fragmenting the liquidity which is essential to successful trading.

Liquidity on the leading markets has improved to the point where sizeable deals in the millions of dollars can be transacted. But the bulk of the business is still done inter-bank, particularly in London where the business has grown rapidly in less than a year and which supplies Philadelphia with over half its volume.

Options are traded in the leading currencies, and there has even been some business in the Ecu, matching the growing use of the currency unit in other markets.

As with FRAs banks set up options packages for their customers and charge, according to one observer, "by looking at Philadelphia and adding on what they think they can get away with."

Options are, however, a lot more expensive than other forms of hedge which offer less flexibility, and this probably accounts for the fact that the growth of the market, while rapid, has not matched the expectation created by the huge swings in the dollar over the last 12 months.

In fact options may offer better value in less hectic markets when the risks—and also the premiums—go down. Some banks have tried to cut the cost of options for their customers by asking them to bear more of the risk themselves, rather like an

insurance policy with a large excess.

Currency options have quickly become an essential part of any large self-respecting bank's product range, but developing a service quickly has posed quite a challenge for some smaller banks. Touche Ross, the accountancy firm, recently launched a complete currency options package which offers everything from trading expertise, computer software and hardware and even advice on how to approach the regulatory authorities.

The Bank of England has observed the growth of the options market quite closely, and last year it said that currency options positions would have to be included in the existing arrangements to control banks' trading in the foreign exchange markets. The prudential treatment of FRAs and interest rate options has still to be decided.

Interest rate options have only evolved in the wake of currency options. The main market is the International Monetary Market in Chicago where trading in an options contract based on the exchange's successful Eurodollar futures contract began two months ago. LIFFE is launching a similar contract in London in June, and trading is also to start shortly in Philadelphia.

Mr Peter Scott of Butler Treasury Services, one of the leading brokers in the options market, expects that the growth of exchange trading will provide the necessary underpinning to the inter-bank market and give interest rate options a substantial boost.



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## World Banking 7

# Offshore business fights tough rearguard action

**Caribbean**  
ROBERT GRAHAM

THESE ARE difficult days for the offshore banking business in the Caribbean. The pressures faced by various centres for greater regulation and a clearer image from the U.S. authorities are considerable and on the increase. The response has been a tough and, at times, acrimonious rearguard action to preserve bank secrecy.

At the same time there is much greater competition both within the region and from the U.S. for business, which itself has been hit by the recession in world trade and the economic problems of Latin America.

The main centres in the Caribbean are the Netherlands Antilles, the Bahamas and the Cayman Islands with Turks and Caicos Islands the most recent and smallest addition. Money has all sprung up since the sixties and owe their existence not to any innate local financial skills but rather to the general lack of revenue earning activities on these small resource-lacking islands.

Only the Bahamas is an independent government, and all the centres have owed their prosperity to the benevolence of the colonial powers, Britain and the Netherlands, and the active or passive acquiescence of the U.S. authorities. This has proved positive because investors have regarded the centres as politically stable, with their stability guaranteed by the colonial power.

At another level, however, the centres have proved to be inhibited by either the presence of the colonial administration or the interests of the U.S. authorities. This has been especially the case with the Netherlands Antilles.

In September last year, the U.S. Government repealed a 30 per cent withholding tax on U.S. companies selling bonds to overseas investors via the Netherlands Antilles. Previously U.S. companies had profitably used the "Antillean window" to circumvent certain Internal Revenue Service regulations. But at a stroke, a fundamental part of Curacao's business was wiped out.

On the strength of a 1963 treaty with the U.S., a successful offshore financial centre had evolved. The treaty waived the withholding tax on bonds issued through U.S. subsidiaries domiciled in the Netherlands Antilles. Last year offshore financial dealings, largely these bonds, brought \$180m, half Curacao's total government revenues. Bonds issued already will not be affected by the measure since revenues will continue at this level or even above for up to five years. After this, however, it will decline rapidly.

The other area of vulnerability to external pressure centres on bank secrecy. The U.S. authorities have become increasingly concerned in the past three years over the extent to which Caribbean offshore centres, plus Panama, are being used to absorb the estimated \$300m-worth of illegal funds in the region, generated mainly by narcotics traffic.

The region has itself been rocked by a series of scandals including two recent events: the publication of a commission of inquiry's report into the financial dealings of senior officials in the Bahamas that seriously criticised the Prime Minister, Sir Lynden Pindling; and the arrest in March of the Prime Minister of the Turks and Caicos Islands, Mr Norman Saunders, in Miami on charges of alleged attempts to smuggle drugs into the U.S.

The latter in particular proved a serious blow to the

Barbados	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	4.8	-2.6	-4.3	0.5	n.a.
Inflation (%)	14.5	14.6	10.3	5.3	n.a.
Current acct. balance (US\$m)	-26	-119	-36	-42	n.a.
Exchange Rate: B\$ vs US\$	2.01	2.01	2.01	2.01	2.01

Jamaica	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	-5.4	3.1	0.2	1.6	-1.5
Inflation (%)	27.3	12.7	6.5	11.6	n.a.
Current acct. balance (US\$m)	-166	-337	-409	-359	n.a.
Exchange Rate: Jamaica \$ vs US\$	1.78	1.78	1.78	1.93	3.94

Turks and Caicos Islands which since 1980 under Mr Saunders' leadership had been actively promoted as an offshore centre—precisely trying to play on their clean image compared with that of the Bahamas and Cayman.

A significant move occurred over bank secrecy in the Caymans last July when a tripartite agreement was signed between the British, Cayman and U.S. Governments. The agreement provides access to documentary information in Cayman financial institutions where there is proof of offences relating to drugs. Information provided cannot be passed on to other government agencies other than the one seeking the information.

The mechanism avoids the previous contention, use of a U.S. federal document subpoena and allows Cayman fears of substantial inroads into bank secrecy. The issues at stake were highlighted last year by the case of the Bank of Nova Scotia's Bahamas branch which was obliged by the U.S. Supreme Court to hand over documents or risk a \$25,000 per day fine. However, a similar agreement has yet to be extended to the U.S. government of the Bahamas.

These changes, plus deregulation within the U.S., the rise of

Miami as a major area financial centre and the cost of maintaining presences in the Caribbean offshore centres has led a number of banks to re-examine their needs. Some staff have been cut back and operations reduced, and within the international banking community there is a feeling that while still continuing to be useful, the centres' capacity for renewed growth is limited.

The Bahamas, for instance, which four years ago could boast banking assets of \$43bn, booked through its domiciled institutions has seen this figure cut to \$30bn. Cayman has managed to hold on better, largely because it has built itself up into a much bigger centre with over 450 banks registered there.

But only 50 have a physical presence, the rest being book operations. Cayman has also managed to attract during the past 12 months big international companies to register there, like Sir James Goldsmith's General Oriental Investments, which he took out of Hong Kong.

# Pace of competition sharpens

**Mexico**  
DAVID GARDNER

AFTER TWO years of virtual paralysis following nationalisation in September 1982, at the height of Mexico's financial crisis, Mexican banks are feeling their way towards a more defined role in a financial system they can no longer expect totally to dominate.

The much-needed clarification of the role of the state banks, and the private and parallel credit market built round the financial subsidiaries of the banks, which were handed back to the private sector last year, finally emerged in a mega-package of financial legislation in November.

The legislation, contained in four new laws and amendments to three existing statutes, also gives a much enhanced role to the Bank of Mexico, the central bank, and made a start on overhauling public finances—the second stage in the country's financial reorganisation after the multi-year rescheduling finished on March 29, of \$48.7bn of its \$96bn foreign debt.

The new rules of the games establish a clear demarcation line between the state banking sector—divided basically into commercial, development, and regional banks, and reduced now to 20 against the 200 that existed two years ago—and a privately run capital market, centred on the brokerage houses, insurance, leasing, and bonding companies, and mutual funds, which were among the 339 non-credit assets handed back to the former shareholders in the expropriated banks.

The former bankers moved quickly to reassemble their recovered assets and mount a vigorous challenge to the banks. Not the least interesting aspect of this challenge is that it comes from professional bankers, while the three largest

banks—Bancomer, Banamex, and Serfin—are headed respectively by a former central banker, a former trade and education minister, and a senior diplomat with a training in economics.

Despite an unexpected last-minute clause in the November legislation preventing the former bankers from turning the new private concerns into holding companies, the state banks are beginning to feel the pressure, one bank chairman concedes.

Sr Agustín Legorreta, for example, former president and principal shareholder in Banamex, has set up a range of competing financial services centred on the former Banamex brokerage, which had been the largest in Mexico.

The Legorreta group had already set up the holding company, Inverlat, before the hand-over. Inverlat bought back the majority of the \$230m worth of assets divested by Banamex, paying with the bonds issued as compensation for expropriation but also bringing in new shareholders—including unnamed foreign investors—with no previous Banamex link.

Despite the ban on holding companies, the new group de facto amounts to the nearest Mexican equivalent to a

merchant bank, providing services from project development to investment banking.

The rapid growth of the stock market, in particular, is likely to raise the pace of competition. In relative terms it has outperformed the banks for the last two years, introduced a dozen new instruments since 1977—ranging from intercorporate commercial paper and risk capital funds to government issued petro-bonds and Treasury bills—and now channels 16 per cent of savings in the system.

The brokerages increased their share of savings by 102.8 per cent in 1983 and 74.3 per cent last year. The banks, in contrast, increased their deposit base 59.8 per cent and 70.6 per cent in the same years.

Despite this challenge, the banks last year were ahead of inflation (59.2 per cent last year) on profits, and growth in deposits and credit to the private sector, for the first time since the 1982 crisis.

Reflecting a revival in growth of 3.5-4 per cent and of private investment of about 8 per cent (against a 1983 GDP fall of 5.3 per cent and a 45 per cent fall in private investment in 1982 and 1983), bank profits tripled to Pesos 67.2bn (\$320m), against Pesos 22.5bn in 1983.

Deposits grew by 70.6 per cent, or 7.2 per cent after inflation, and now stand near Pesos 10,000bn, while Pesos 1,844bn was channelled in credit to the private sector, representing nominal growth of 98.9 per cent on 1983.

The gap between incoming deposits and outgoing credit has begun to close for the first time since 1982. The major question mark against the banks now is whether they will have the resources to respond to a sustained revival in private credit demand once the economy shows real signs of recovery. At the moment 65 per cent of their resources are earmarked for government disposal; by the same token, 91 per cent of last year's stock brokerage business was in Treasury bills.

None the less, the major attempts to tighten public finance now going on should help both groups, but particularly the banks. In November, the new laws included the introduction of the public sector borrowing requirement, effectively to be monitored by the Bank of Mexico, for the first time. This should limit the Government's call on the banks.

February's \$1.25bn spending cut package and the sell-off of 236 state companies should also indirectly benefit the banks.

Taken as a whole, this puts public sector relations with the banks on a more commercial footing, speeds up payment, and improves the underlying financial health of state companies.

The trend, in sum, is to use the banks more as commercial institutions and sources of feed capital—Banamex, for example, has established a \$100m venture capital fund and the banks are being encouraged to back trading companies foreseen in last month's trade liberalisation package—and less as a soft touch for the Government.

The banks will need this extra edge to face up to the challenge now that their former owners are back in business.

Mexico	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	8.3	8.0	-0.6	-4.6	2.0
Inflation (%)	26.4	27.9	58.9	101.9	65.3
Current acct. balance (US\$m)	-8,162	-12,899	-5,753	5,208	4,100
Exchange Rate: Pesos vs US\$	22.95	24.51	56.40	120.09	167.83
Trade weighted index	56.38	56.38	25.31	10.38	8.90
Real trade weighted index	105.33	117.75	77.55	62.72	85.50

# A high level of discontent

VENEZUELA's bankers, like their counterparts in other countries, are supposed to be wealthy and happy, among other things. No one has ever accused the owners of Venezuelan banks of indigence, but their public statements in recent months indicate a high level of discontent, mainly with some decisions made by the Administration of President Jaime Lusinchi.

Bankers are principally up in arms over a recent finance ministry decision to modify its interpretation of the commercial tax rules and seek millions of dollars in claims on the bank's back taxes, and over a new government decree creating a deposit insurance fund that will receive half its financing from the central bank and the other half from fees paid by the banks in accordance with their deposits.

In recent months, the commercial banks, which account for the lion's share of Venezuela's financial system, have vociferously attacked both the tax claims and the deposit insurance fund, citing flaws in the fund and asserting that their profits and financial strength will be damaged.

In addition, bankers are still chafing over the Government's decision early last year to set controls on interest rates, which had been free to fluctuate at the discretion of banks since mid-1981.

Venezuela's banking system is made up of commercial banks, both private and state-owned, mortgage banks, S&T (trusts), financieras (which provide medium-term financing to business and industry, as well as other types of financing), liquid asset funds, money desks and others. The commercial banking sector is the largest and most important element in the system.

Despite a number of problems, including a recession dating back to 1979, controlled interest rates, nervous depositors, foreign debt difficulties, serious problems at important state-controlled banks, and a significant number of non-performing loans, Venezuela's commercial banks have managed to remain in generally good health.

Deposits at commercial banks at year-end 1984 stood at the equivalent of \$9.4bn, up 10 per cent from the end of 1983, according to figures provided by the central bank. (The dollar figures are calculated at the rate of 13 bolivars per dollar, which is approximately the free-market rate).

Loans and investment at the equivalent of \$7.89bn, up nearly 18 per cent from the previous year.

Profits at 23 commercial banks shrank by almost 4 per cent during second-half 1984 (to \$35.5m), principally due to larger provisions for possible loan losses. The biggest profit-makers during the second half of 1984 were Banco Provincial (minority holding by Credit Lyonnais), with after-tax earnings of \$8.5m on income of \$87.7m; Banco de Venezuela (\$6.5m profit on income of \$55m) Banco Mercantil (\$2.7m

on income of \$69m); Banco Union (\$1.8m on revenue of \$48.6m) and Banco Latino (\$1.75m profit on income of \$82.2m).

Profits for full-year 1984 for the 23-bank sample reached \$79.2m, and overall profit growth for 1984 was well below inflation (the CPI grew by 18.3 per cent in 1984). Profits at some private banks lagged in recent years, despite free interest rates between mid-1981 and early 1984.

In spite of continuing profits at most banks, the commercial banking system remains saddled with a bad loan problem. Central Bank figures put commercial loans in the process of legal action at \$411m for November 1984, and overdue commercial loans at \$949m for the same month.

Both these figures are up sharply from a few years ago, when many local banks were very careless about the quality

of their loan portfolios, and where loans sometimes were granted to friends with poor credit ratings.

The foregoing figures do not include some state-owned banks like Banco Industrial de Venezuela, or Banco Nacional de Descuento (the latter now in liquidation).

Venezuelan businessmen, generally happy with government-controlled interest rates (especially certain subsidised rates), the less complain that liquidity growth is slow. The central bank has pursued a cautious monetary policy under its president, Benito Raúl Losada, a highly-respected financial figure appointed by President Lusinchi early in 1984.

Last year money supply (M2) totalled \$13.7bn, up 8.5 per cent from the previous year but well below inflation. Bankers expect M2 growth to remain below inflation this year.

While many businessmen are pleased with controlled interest rates, it is clear that the current system is producing negative rates (ie inflation in Venezuela outstrips interest rates for deposits), thus encouraging large investors to move some of their local currency profits offshore, or keep their foreign earnings in foreign banks. The Government, however, feels

that controlled interest rates are necessary to keep inflation under control.

The central bank under Senor Losada has followed a quiet, orthodox and up to now effective policy (rediscounts, etc.) of assisting troubled private banks whenever necessary without resorting to drastic measures.

Private commercial banks over the past two years have been hurt by temporary liquidity problems, provided in some cases by rumour campaigns, but no private bank failures have occurred. At least three privately-held financieras, however, have been subject to intervention by the Government since 1983.

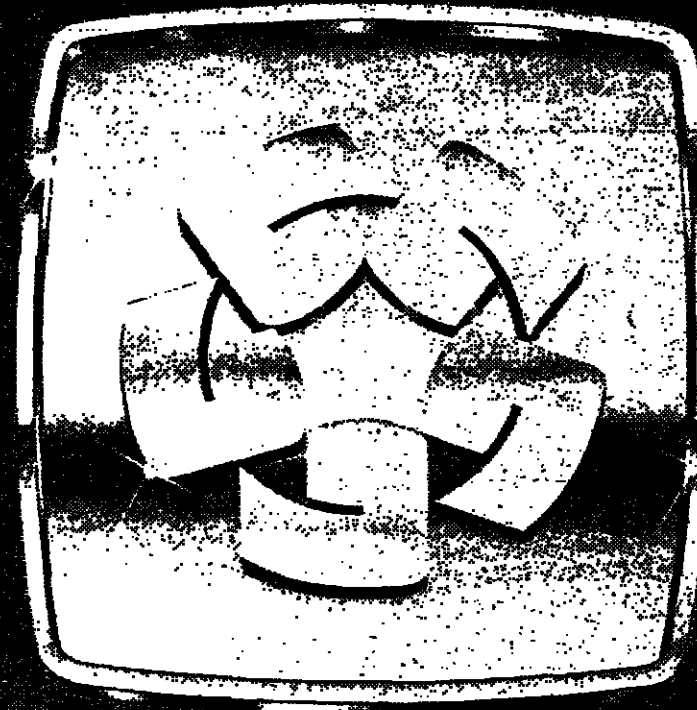
The Lusinchi Government also deserves credit for keeping its pledge to put the public sector financial system in order. Government-owned banks such as the Banco Industrial (BIV), Banco Nacional de Descuento (BND), Banco de los Trabajadores (owned also by the Venezuelan Labor Federation) and others were in disastrous shape when the Lusinchi administration took power in February 1984.

The Government has made a number of mistakes regarding state banks, but it has also begun to restore confidence in the financial system. After six years of state intervention, the Government decided to liquidate BND, formerly the country's largest private bank.

The Government also put the giant BIV on firmer financial footing and is moving toward a resolution of the problems of BTV, another huge bank which has been subject to intervention and practically paralysed since late 1983. (An agreement has already been reached with foreign bankers on about \$200m in foreign loans owed by the BTV, another huge bank which cleaning up several other state-owned banks, which were in serious trouble, either through liquidation or merger.

These actions, however, will not improve the financial system's health overnight. In general the nation's banks—especially much of the private banking system—remain troubled by a depressed economy, weak loan portfolios, predatory depositors, controlled interest rates, rising costs (including repayment of foreign debt) and other long-term deposits at rates fixed by the state, and the financieras are generally in deep trouble due to the dilemma of repaying foreign currency debts with a devalued currency.

Venezuela	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	-2.0	-0.3	0.7	-4.5	-1.7
Inflation (%)	21.6	16.0	9.7	6.3	12.0
Current acct. balance (US\$m)	4,728	4,000	-4,246	3,707	4,406
Exchange Rate: Bolivar vs US\$	4.29	4.29	4.29	4.29	7.02



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## World Banking 8

## Disciplinary measures balanced by reform

Argentina  
JIMMY BURNS

ARGENTINE "banking reforms" have been announced with such frequency by successive governments in recent years that they have almost ceased to have any impact. However, the measures implemented at the beginning of April by the ruling Radical Party provoked an unusual dose of reaction within the 15 square blocks that make up the Buenos Aires "city".

Spot checks by central bank inspectors, police raids on exchange houses, and a great deal of hyperbole from the politicians convinced many bankers that their worst fears had been confirmed: Argentina's democratic authorities under the influence of the left-wing party militants had launched an all-out offensive against the "patron financier", but used in popular jargon to describe the web of deeply entrenched vested interests alleged to have enriched themselves at the expense of the ordinary man.

While a distinct feeling of nervousness persists, the initial shock has given way to a more measured appraisal of the Government's motives.

By clamping down on the black market for foreign exchange, and on inter-company lending outside the official rates, the Government is hoping to re-establish control on a state of affairs that had not only been fuelling inflation but also through over-invoicing and under-invoicing — undermined the country's trade performance. The measures have subsequently come across as a sincere effort to comply with International Monetary Fund (IMF) dictates.

Strictly disciplinary measures, however, have been accompanied by a balanced package of reforms, many of which include the deregulation of some private bankers had been asking for.

A sector of the market has been freed for the first time since the end of the Falklands War in 1982 when interest rates for loans and deposits were set to officially-fixed maximums and the central bank reintroduced a system of centralisation of deposits.

The re-establishment of a free credit market is not limitless. Deposits captured cannot be more than one-third of those in the regulated market and will only carry minimum guarantees from the central bank and spreads permitted will be a maximum of 1 per cent. (On the unofficial circuit, some banks are trading with spreads of more than 2 per cent.) Never-

theless, the measure is aimed at not only improving the system's real resources to lend but also at making individual banks more accountable.

The reforms include a drastic reduction in the minimum reserve requirement. Banks will now have to hold in reserve about 10 per cent of the value of term deposits and savings, compared with 25 per cent previously.

In practice this has meant the elimination of a special account held by the central bank the "cuenta de regulación monetaria" with which the Government compensated banks for holding a large amount of non-interest yielding reserves in a non-interest highly inflationary society. The "cuenta" last year climbed to an estimated US\$2.5bn, accounting for a significant part of the budget deficit.

In an attempt to ensure that the reforms themselves do not provide a new source of uncontrolled monetary expansion, banks will be required to deposit with the central bank a proportion of the funds freed by the new minimum reserve requirement.

The inability of some banks to operate under the new reforms led to some speculation at the end of April that the country could soon face a local banking crisis similar to that which occurred in 1982.

However, Government officials and private bankers seem fairly certain that history is not about to be repeated. The snowballing effect of the collapse in 1980 of a leading private bank, the Banco de Intercambio Regional, was made possible by the diffused nature of the banking system at the time.

While some dubious practices have continued, the banking system has become more highly concentrated so that about 25 per cent of state and private banks account for the bulk of deposits.

The banks which are expected to be affected by the recent reforms will be small since the larger ones are on firmer ground, according to officials.

The liquidation in mid-April of the Nuevo Banco Santurce and Banco Cabillo (61 and 86 respectively in the local ranking) was greeted with relative calm by the market, an indication that what might be in the offing is a weaning out of the system, aimed at making it more efficient rather than its assassination.

Among the current leading private banks, only Banco de Italia (ranked eighth) is under stood to be in serious difficulties, partly because of the recession and partly because of mismanagement, and a dubious transfer of shareholdings.

The central bank says, however, that Italia's problems will be overcome by a pre-emptive

restructuring probably involving state-appointed overseers, fresh capital injection, and a merger with one of the more reliable private or state banks.

Clearly, however, the politically fragile Radical Government is torn between the need to avoid propping up those banks whose management deserves no support with the wish to bolster confidence in the banking system. Hence the apparent decision to bail out Italia.

Political considerations also appear to be behind the current management structure of the banking system. The Radical party's trapped of patronage has nowhere been made more manifest than in its appointments of party men to top boards.

On balance, however, the Government does seem to be making a serious effort at ensuring greater transparency in the banking system of restoring its credibility among the public at large.

The modernisation of the Argentine banking system is likely to depend less on good intentions than on the Government's ability to reduce inflation, now running at a record annual rate of about 1000 per cent.

The Government would like to see the local banking system offering genuine support to the economy through specialisation

and a reorientation of credit towards medium and long-term productive investment. Persistently high rates of inflation over the years has, however, bred a particular mentality within the system which will be difficult to change overnight.

No amount of police action is likely to improve Argentine banking practice as long as prices are allowed to fluctuate wildly and the future profitability of borrowers remains impossible to calculate.

Meanwhile, the nervousness that still grips foreign and private banks, accounting for about 54 per cent of total deposits, stems from the confused political outlook and the impossibility of predicting with any certainty where the Government is going to turn next.

In particular, the private sector is worried by the implications of draft legislation which will redefine the banking sector as a "public service" instead of its current categorisation as a "financial industry".

The Association of Private Argentine Banks (ADEBA) believes that the law could lead in practice to all banks being subject to the rules and regulations governing the public sector—an effective nationalisation of the system, in striking contradiction with the apparent spirit behind the recent reforms.

## Argentina

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	0.9	-6.3	-4.8	3.0	2.6
Inflation (%)	100.5	104.5	164.8	242.8	630.0
Current acct. balance (US\$m)	-4,774	-4,712	-2,353	-2,496	-2,300
Exchange Rate: Pesos vs US\$	0.18	0.44	2.59	10.53	67.65

## Chile

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	7.8	5.7	-14.3	-0.4	5.0
Inflation (%)	35.1	19.7	9.5	27.3	19.5
Current acct. balance (US\$m)	-1,071	-4,733	-2,304	-1,063	-1,900
Exchange Rate: Pesos vs US\$	39.00	39.00	50.91	78.84	98.66

## Turnround to profit remains elusive

CHILEAN banking has continued to be overshadowed by the fact that the country's principal financial institutions remain under government administrative control.

This intervention, dating since the beginning of 1983, came as a result of the banks' overloaded portfolio of overdue or bad debts and fears on the part of General Augusto Pinochet's regime that the situation could lead to an unprecedented chain of financial and business collapses.

The government-appointed administrators to the troubled banks have apparently not had much luck in turning the institutions around: Chile's banking superintendency recently reported that the domestic banks had run up an equivalent of roughly US\$100m in losses during the first two months of this year.

Most of these losses were sustained by the five Chilean banks under government control: the Banco de Chile, the Banco de Santiago, the Banco Internacional, the Banco de Concepción and the Colocadora Nacional de Valores. At the same time, Chile's state-run Banco de Fomento, along with a handful of finance companies and foreign bank branches, reported peso profits equivalent to as much as US\$5m.

In an effort to cure the ailing institutions, Chilean authorities have come up with a slightly new twist on an old idea. The shares of the banks controlled by the Government will be sold off to the public under a programme known as "popular capitalism", which the authorities hope will result in a broad diversification of ownership and make a reputation of past abuses—in which the banks lent huge sums to their affiliate companies without adequate security—less likely.

It remains to be seen how Chilean investors will react to the banks' new share issue. Banking superintendent Guillermo Ramirez acknowledges the "difficult patrimonial situation" of the banks, but says that their longstanding tradition in the Chilean financial community, along with their networks of branch offices and business contacts, should attract buyers.

Another obstacle is the fact that the Banco de Chile and the Banco de Santiago, the one-time flagship banks of the country's largest conglomerates, had earlier signed agreements with the Chilean central bank wherein they would sell their bad debt portfolios to the central bank and buy them back gradually over a ten-year period.

Under this agreement, the banks may not issue dividends until the bad debt portfolios are purchased. But Sr Ramirez says that this provision will only affect old shareholders and that it is sufficiently flexible to allow the banks to delay paying back the central bank until they are able.

The Banco de Chile is to be the first institution to issue new shares under the "popular capitalism" programme, with the goal of raising its assets by roughly \$200m according to instructions from the banking superintendency, the bank will issue 11bn new shares, which, if all sold, would leave the old stockholders with a minority 12 per cent of the total.

Some of the old stockholders have protested that the measure

## Chile

MARY-HELEN SPOONER

discriminates against those who were not involved in the tree-whisking lending abuses of the past. One Chilean philanthropic group which owns part of the Banco de Chile's old shares has promised to submit its own alternative proposal for solving the institution's problems.

The proponents of "popular capitalism" may have envisaged a takeover of the troubled banks by an army of small shareholders but many observers think it more likely that the bulk of the new shares will eventually be bought up by foreign banks.

Chilean authorities were initially reluctant to see this happen and shortly after the banks' intervention early in 1983 made public statements to the effect that the Banco de Chile and other bedrocks of the country's financial community would remain in Chilean hands.

The guidelines for the Banco de Chile share issues stipulate that each individual owner may not purchase more than an equivalent 2 per cent of the bank's capital, or the amount of personal income paid, whichever is the less.

One Chilean financial publication calculated that the Banco de Chile's new share issue would have to attract as many as 100,000 new investors, a difficult goal to attain, given the country's depressed economy.

If the fresh infusions of funds from the "popular capitalism" programme prove to be insufficient, as some analysts suspect, new options for restoring the Chilean financial system will have to be considered.

## Tougher to stay in the saddle

Brazil  
ANDREW WHITLEY

"I HAVE been a banker in Brazil in recent years you wanted to keep your wits about you, stay firmly in the saddle and hold your hat on tight."

It has been a rough ride, especially since the debt crisis broke in late 1982 and the ride is going to get even rougher as the shakeout of the weaker or less well-managed brethren already underway gathers strength in the coming years.

The shrinking of the number of financial institutions over the past 20 years has been quite dramatic. From about 300 banks in 1965 shortly after the military coup, which brought about a major clean-up of the system and, incidentally, 21

years of military-led rule, the number has dropped by over half to less than 120 today.

In the last 15 months of the military regime, which expired this March, the central bank either took control of, or closed down, no fewer than 31 financial institutions. Most were building societies or brokerage houses independent of the big conglomerates. But some well-known names with substantial international connections, such as Sul Brasiliense and Brasiliense, were also caught up in the tide.

The contrasting treatment of the central bank of Sul Brasiliense and a related regional group, Habitasul, and of Brasiliense—once high flying São Paulo-based group—illustrates the conflicting pressures on the regulatory authorities.

Ideally, any Brazilian Government of recent years, including

the new civil administration, would like to preserve a healthy network of truly regional banks.

Hence, part of the explanation for the decision to resurrect, under government supervision, the Sul Brasiliense and Habitasul groups, the leading financial institutions in the far south of the country.

In contrast, there is now a new determination to crack down on the irregularities and gross mismanagement which in the past the authorities have usually turned a blind eye to: arguing that they were leaving the problems to the market to sort out but, in practice, bailing out banks in trouble.

Hence the shock decision in March to close down Brasiliense without recourse to the usual halfway house of government intervention and to ask the courts for the imprisonment of Sr Mario Garnero, its leading shareholder and one of

Brazil's most prominent financiers.

"It was a good exemplary action," said Sr Alberto Furuguen, banking area director at the central bank. While preventive action in time is the policy of the new central bank directorate, it says it will not be afraid to use surgery where necessary in future.

As part of his new, tougher policing action Sr Antonio Carlos Lemgruber, the central bank governor, has set up a separate inspection department within the bank and instituted a vigorous house cleaning of the country's plethora of state-owned commercial banks, regarded as the weakest link in the system.

IMF-style austerity agreements, involving the roll-over of debts and strict credit limits, are being imposed on 15 "rogue" banks, with the aim of gradually bringing them back to health over the next four

## Brazil

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	7.2	-1.6	0.9	-3.2	4.0
Inflation (%)	82.8	105.6	98.0	142.0	196.7
Current acct. balance (US\$m)	-12,906	-11,751	-16,312	-6,837	600
Exchange Rate: Cruzeiros vs US\$	52.71	93.12	179.51	577.04	1,648.03
Trade weighted index	9.62	6.07	3.46	1.19	0.39
Real trade weighted index	75.97	91.62	94.32	81.71	84.86

years.

According to Sr Furuguen, despite the turbulence of recent times "in general the system is well." While acknowledging the negative psychological impact of the bank's recent actions, giving the impression of "fragility" in the system, he insists that the underlying foundations remain solid.

Certainly a quick glance at most commercial banks' balance sheets would confirm that impression. Profits were excellent in 1983, the last of the latter half of that period coinciding with the onset of the foreign debt crisis. Although they declined sharply in the first half of last year—largely because of changes in government regulations in the domestic market—there has subsequently been a general recovery in profitability.

A closer look at the banks' performance—and how that performance was achieved—fortunately belies the first impression. An excessive concentration of assets in the already overindebted public sector has, in recent months, compelled several prominent private banks to take emergency action to improve their capital base. Auxiliar and Comind are two cases in point.

As a study by a leading Western bank points out, loans by commercial banks to the public sector, as a percentage of total assets, grew by 61 per cent between December 1978 and June 1984.

As the financial difficulties of many state companies and agencies has grown—as a direct result of the debt crisis and the squeeze by the International Monetary Fund (IMF) on public spending—so their budget deficits have, in effect, been transferred to the financial system through systematic delays in interest and amortisation payments.

With the quality of assets in the private sector also deterior-

ating sharply because of liquidity problems, growth in bank income in recent years has come primarily from non-operational sources. Chief sources have been government paper and balance sheet window dressing resulting from the Brazilian inflation-adjustment practice known as "monetary correction".

Taking advantage of their high profits and greater strength, the dozen or so major financial conglomerates, led by Bradesco and Itau, have steadily been moving shares of the rest of the pack. Foreign banks, notably Citibank and Lloyds, have also done well recently.

Whether or not this process of agglomeration and concentration should be allowed to continue is a subject the new central bank directors have not yet made their minds up about.

Over the past four years the leading Brazilian groups have moved into the electronic banking era in a big way.

Those banks which are not moving into high-tech now to provide a better service, will be in trouble in the coming years, warns one prominent Brazilian economist and former government official.

The regime, however, does not apply to all banks. Some foreign-owned banks with a small branch network, such as Bank of Tokyo, disagree with the rush into electronic, preferring instead to diversify into such areas as leasing and brokerage.

For those foreign banks with commercial bank licences—a privileged group frozen on central bank orders for over a decade—the way ahead is primarily through the setting up of investment banks, or entering into shareholdings with local partners. Nor does the new Government envisage any significant changes in this avowedly protectionist practice towards the commercial bank system in coming years.



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Under the name of our predecessor and main promoter, CITY SECURITIES LIMITED (CSL), we have made our mark as far as Capital Issues, Project Finance and Loan Syndications are concerned.

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- |  |  |                            |
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| <b>CORPORATE FINANCE SERVICES</b>      | — Capital Issues (Public and Private of Debt and Equity) | — Investment and Financial |
| — Syndicated Loans                     | — Portfolio Management                                   |                            |
| <b>TREASURY AND FINANCIAL SERVICES</b> | — Current and Time Deposits                              | — Bankers Acceptances      |
| — Negotiable Certificates of Deposit   | — Funds Management                                       |                            |
| — Short Term Securities Issues         | — Bills Discounting                                      |                            |
| <b>OPERATIONAL SERVICES</b>            | — Letters of Credit                                      | — Foreign Exchange         |
| — Collections                          | — Correspondent Banking                                  |                            |
| — Funds Transfer                       |  |                            |
| <b>BANKING SERVICES</b>                | — Medium Term Loans                                      | — Guarantees               |
| — Tender and Performance Bonds         | — Leasing  |                            |

We also provide management for our associated company, City Securities Limited, and its wholly owned subsidiary, CSL Stockbrokers Limited. The activities of these two companies have now been expanded to cover the following non-banking financial services—Stockbroking, Underwriting of Capital Issues, Registrar's activities, Confining House services, Trustee services, Hire Purchase and Investments.

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World Banking 9

# Drive towards competitive element

## India

R. C. MURTHY

A NEW PHASE has begun in Indian banking. The Reserve Bank of India (RBI), the country's central bank, is seeking to introduce an element of competition among banks by lifting controls on interest rates on short-term deposits.

Early in April, Mr R. N. Malhotra, Governor of the RBI, freed the banks to set their own interest rates for maturities between 15 days and one year, subject to a ceiling of eight per cent.

However, the experiment is not yet off the ground since the Indian Banks' Association (IBA), representing 95 per cent of India's banking system, has asked its member banks to adopt a single interest rate structure.

"We have suggested uniform rates to prevent unhealthy competition," Mr M. N. Gopala, IBA chairman, says. But the IBA's suggestion, which is in fact a flat, may not stand the test of law since a cartel agreement on interest rates applied to private sector and foreign banks in India infringes official regulations to curb restrictive trade practices.

The Reserve Bank considers competition in short-term deposit interest rates will bring down the cost of funds to commercial banks when banks jack up interest rates on short-term maturities. "There may be a trade-off in maturities from long-term deposits which attract higher rates of interest," Dr C. Rangarajan, deputy governor of the Reserve Bank, says.

Infusing competition among banks, 20 of which are government-owned, is part of the drive of the Rajiv Gandhi Government to make the Indian economy efficient. Soon after Mr Gandhi returned to power with a massive mandate last year, he sacked the chairman of two government-owned banks which are deeply involved in financial losses.

expatriate, Mr Rajendra Sethia. Non-official directors on boards of 20 nationalised banks were retired as their term expired instead of asking them to continue until their successors were appointed as was the practice earlier.

A search is on for candidates who can fill his bill of running banks efficiently.

Another area of cost-cutting concerns future branch expansion of commercial banks whose progress is monitored by the Reserve Bank. "The emphasis should now shift to consolidation and improvement of the existing facilities and services," Mr Malhotra told top Indian bankers recently.

He wants all the branches to become profit centres through mechanisation and computerisation on which banks are spending Rs 1,350bn within the next three years.

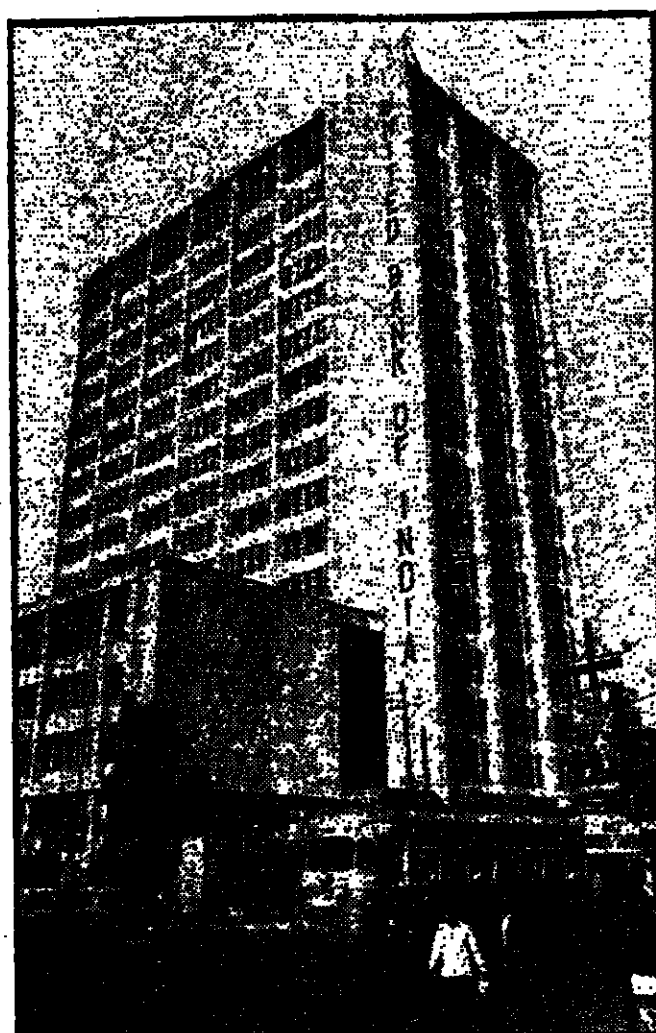
Banks opened an average 100 new branches a fortnight over the past 15 years against 100 branches a year in the previous 15 years.

As a result of the hectic pace of expansion, the population per bank office was down to 15,000 last year from 65,000 in 1969. The criterion for locating new bank offices is no longer an increase in population coverage but their viability. Other priorities of the Reserve Bank are monetisation of the country's economy and the spread of the banking habit.

Over the past two years there has been a significant increase in preference for holding on to currency in the Indian economy.

## India

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	8.8	5.9	2.6	5.0	5.5
Inflation (%)	11.4	13.0	7.9	11.9	8.0
Current acct. balance (US\$m)	-1,785	-2,688	-2,524	-2,500	-2,300
Exchange Rate: Rupees vs US\$	7.86	8.66	9.46	10.10	11.36
Trade weighted index	82.39	81.69	81.51	81.45	78.80
Real trade weighted index	80.76	82.63	80.33	82.93	81.45



United Bank of India in Calcutta

The incremental currency deposit (with banks) ratio has risen to 30.2 per cent in 1983-84 (April-March) from 26.3 per cent the previous year. The Reserve Bank projects bank deposits will grow by 16.2 per cent in the year to March 1986 against 17.48 per cent the previous year and 17.9 per cent in 1985-86.

The preference for currency in 1983/84 might have been due to inflationary pressures forcing households to keep more cash on hand or an expansion of the black economy—or even a combination of both. The share of Rs 100 denomination J-notes in the total notes in circulation rose to 56.5 per cent in 1983/84 from 54.6 per cent the previous year.

Bankers say that the bank deposit growth this year will be faster than projected and the currency/deposit ratio will fall. The recent fiscal policy changes, cutting personal income tax maximum margin rate to 50 per cent and increased competition among banks for deposits are expected to give a fillip to deposit growth.

# Slowdown in business activity

## Pakistan

MOHAMMED AFTAB

THE GROWTH of Pakistani banks slowed in 1984 as a result of reduced business activity, in contrast to a robust turnover in the previous year.

Both the general domestic deposits and advances slipped. The deposits increased by 5.4 per cent to Rs 124,200 (US\$57,820bn), during the year ended December 31 1984.

The deposits in 1983 were up 26.6 per cent from the 1982 level. Reduced export earnings and home remittances of Pakistanis working overseas and a 10 per cent withholding tax on interests of Rs 2,000 and above, are cited as causes for a slow growth of deposits.

The advances rose 9.68 per cent to Rs 97,500bn, while their growth in 1983 was 18.2 per cent compared to 1982.

The profit and loss sharing deposits (PLS), or Islamic deposits, which were introduced on January 1, 1981, rose to Rs 29,300bn in 1984, from a level of Rs 19,900bn in 1983 when the growth was 15.35 per cent over the previous year.

The five nationalised banks, Habib, United, National, Muslim and Allied, announced a combined pre-tax profit of Rs 1,580bn for the year ended December 31 1984.

● Habib announced a record profit of Rs 827.6m, up from Rs 750.6m in 1983.

● United declared Rs 368m profit, as against Rs 184m in 1983.

● National's profit was Rs 226.4m, up from Rs 180m in 1983.

● Muslim Commercial's profit rose to Rs 133.88m in 1984, from Rs 130.03m in 1983.

● Allied earned a profit of Rs 28,536m.

Habib's president Mr Kassim Parekh said: "A rising trend of profits has been maintained despite the increase in the establishment cost, due to higher wages which were given during the year."

United's president Mr Tajammal Hussain, said: "The 25th year (1984) of the bank's operations was a year of consolidation after the spectacular growth of 1983."

Mr Abdul Jabbar Khan, president of National said that "The banking industry is now poised for a higher growth rate in 1985 because of the promising prospects of the economy."

Muslim's president, Mr Abdul Aziz Sakrani, said: "The bank's credit policy has continued to accommodate divergent needs of all sectors of the economy."

Mr I. D. Jenejo, president of Allied, said that 43.5 per cent of profit had been transferred to the reserve fund for strengthening the bank's financial base.

Some of the problems the Pakistani banks are facing were summed up by Mr Sakrani who said: "The salaries of the bank employees are going up every year. The expectations of the depositors regarding the rate of return are rising in view of the inflationary pressures, and have to be satisfied."

"The free services being provided under the Islamic banking system are mounting raising the costs and affecting the bank profits. All the three factors may soon begin to affect the bank profits and the share of the Government (who largely owns the nationalised banks) in the form of taxes and dividends, may decline."

The PLS or Islamic banking, under which no pre-determined rate of interest is provided, but the depositors share in the profit on a six-monthly basis, continues to be a high growth point in the Pakistani banking industry. The profit announced for the 6-months July 1 to December 31, 1984, ranged from a low of 7.10 per cent to a high of 9.0 per cent on an annual basis.

The variation in the distribution of this profit is the result of varying overheads and other costs which are largely agreed to go along with the Islamisation plan. Some foreign banks, from the UK, Western Europe, U.S., and Middle East are used.

## Pakistan

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	9.8	7.7	4.3	6.5	2.0
Inflation (%)	11.9	11.9	5.9	7.4	7.0
Current acct. balance (US\$m)	-924	-914	-802	14	-650
Exchange Rate: Rupees vs US\$	9.90	9.90	11.85	13.12	14.05

The rate of profit announced for the first half of 1984 was a uniform 7.5 per cent, but for July-December, 1983, it had ranged between 7.25 per cent to 8.50 per cent for various banks.

Pakistan embarked on a programme of completely switching over its banking system to Islamic principles. Besides the PLS accounts which are already in the fifth year of their operation, a plan for interest-free banking (IFB) was introduced from the new year. It is spread over three phases:

● January 1: All new financing by banks to the Government, nationalised industry and state corporations, as well as public and private joint stock companies, switched entirely to IFB.

● April 1 1985: All new financing to private businesses and individuals converted to IFB.

● July 1 1985: Banks will stop accepting interest-bearing deposits. All savings and term deposits will be on profit and loss sharing (PLS) or IFB basis. The current accounts will receive no interest or profit. The IFB plan also provides that:

(a) The entire assets side of the banks and investment institutions will switch to Islamic modes of financing, except for the past commitments which will be carried over to their termination date, on the present interest-bearing basis.

(b) The transactions of the State Bank of Pakistan (central bank) with commercial banks and the Government will be changed to IFB modes before July 1.

The foreign banks operating in Pakistan have largely agreed to go along with the Islamisation plan. Some foreign banks, from the UK, Western Europe, U.S., and Middle East are used.

operating 54 branches in Pakistan. They occupy a significant position in the banking industry.

It is estimated that more than half of the foreign trade is handled by them, and less than that by nearly 7,000 branches owned by five nationalised banks.

On the criteria of their deposit base, the four important foreign banks include B.C.C.I., Grindlays, American Express and Middle East Bank. The foreign banks are particularly complaining of a credit squeeze on all banks imposed by the state bank which assigns credit ceilings to various banks. Violations of ceilings are punished with heavy penalties.

The foreign banks say that they get especially very low credit ceilings, which means that they cannot lend as much as they would like to. Each of them is also restricted to operate no more than three branches in the whole of Pakistan, and these are in the key cities.

It means that they cannot expand their network for deposit-taking from smaller cities and non-urban areas. Even if they attract more deposits, the state bank restrictions on lending dampen and curtail their operations.

"Such restrictions inhibit our growth and our ability to support the economic development of Pakistan," said Mr William C. Butcher, chairman of Chase Manhattan Bank, during a recent visit. Chase business in Pakistan is estimated at \$100m, but it, like many other banks, is eager to expand.

The state bank justifies ceilings on grounds of containing inflation. In spite of the ostensible official policy of restricting inflation, the Government undertook a massive deficit financing during the first nine months of fiscal 1984-85 (July, 1984 to March, 1985), the new minister for finance and planning, Mr Mahbubul Haq, admitted this week.

Instead of resorting to deficit financing of the order of \$15m for the 12-month period, the actual figure for the nine months alone is \$750m. The Government had no business to do this, because it is an outright and unjustified tax on people without any parliamentary sanction," said an independent economist.

# Difficulties will not be easily resolved

## China

MARK BAKER

CHINA'S BANKING system is in the midst of an upheaval which has seen the country's two top banking officials replaced, a political scandal over banking administration and a new campaign to tighten controls within the banking system.

At the heart of the troubles has been the failure of China's state-run banks to cope with the extraordinary pressures unleashed by the radical rural and urban economic reforms which have been introduced over the last few years.

In his annual speech to the National People's Congress several weeks ago, Premier Zhao Ziyang, revealed a blow-out in China's money supply and a leap in the national wage bill caused by a rash of unauthorised pay rises and bonuses in the last quarter of 1984.

Mr Zhao reported a "drastic" increase in credit last year with the level of bank loans rising by 28.9 per cent, with about half the increase in December alone. He also disclosed the Government's payroll had risen 21 per cent during the year.

Much of the blame for the sudden economic crisis was levelled at the banking system, for failing to exercise proper control over the money supply and for granting many loans to enable departments and enterprises to grant unauthorised wage increases.

A week before Mr Zhao's speech, it was disclosed that Mr Jin Dejun, the president of the Bank of China, an experienced international banker well-regarded by foreign bankers in Peking, had been severely criticised in an internal Communist Party document for condoning a rash of bonuses within the bank, outside the official guidelines.

Three days after the news of

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Three days after the news of

## China

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	6.1	4.8	7.4	9.1	10.0
Inflation (%)	7.4	2.5	1.9	2.1	2.0
Current acct. balance (US\$m)	0	2,000	6,200	5,300	4,000
Exchange Rate: Yuan vs US\$	1.50	1.71	1.59	1.96	2.22

Mr Jin's sacking, it was announced that Mr Ju Peijian, the head of the People's Bank of China—the central bank—had been moved to the important post of auditor general. His replacement was the minister for foreign economic relations and trade, Madame Chen Muhua.

Madame Chen, the second most powerful woman in China, has already foreshadowed measures to tighten considerably the People's Bank's controls over the banking system,

which underwent an extensive restructuring in 1983.

In particular, she has said there will be stricter supervision of China's foreign exchange holdings, which slipped by US\$2bn at the end of last year, largely because of a sudden jump in imports fuelled by excessive liquidity.

Madame Chen said China's exchange reserves, now at about US\$14bn, would be mostly reserved for construction of energy and transportation projects and for upgrading existing enterprises. She also said that the recent crackdown on illegal currency trading and the foreign exchange black market would be strengthened.

The recent difficulties of the Chinese banking system will not be easily resolved, as they are a consequence of some of the fundamental economic reforms moving China away from central planning to a free economy regulated by fiscal levels.

The money supply blow-out was largely a result of the enormous pressures and expectations for wage rises created by the government blueprint for urban economic reforms, released in October last year, which pledged to raise wages and decontrol many prices.

The resulting problems have illustrated China's inexperience in delicate economic management. But the Chinese leadership, shocked by the sudden flaw in their vision, have acted quickly and firmly to rectify matters.



Headquarters of the Bank of China in Peking

# Set for structural changes

## Thailand

BOONSONG KTHANA

THE THAI BANKING system is likely to undergo major structural changes as the proposed amendments in the Commercial Banking Act 1979 are approved this year by parliament.

The amendments will broaden the scope of businesses for six Thai and fourteen foreign banks and also give Thai monetary officials stricter controls over banks' management and operations.

The Finance Ministry and the Bank of Thailand (BOT), the central bank, expect the amendments to be considered, and approved by the parliament in the three-month session scheduled to start on April 26 this year.

The amendments are considered necessary in order to bring the law into line with the changing banking environment at home and abroad.

The primary objective is to give fiscal officials increased powers to supervise and regulate commercial banks' operations.

The Thai monetary authorities' last-minute decision last August to take over the Asia Trust Bank, a small family-run Thai bank which had mismanaged funds, demonstrated weakness in the monitoring of banks' operations.

The proposed amendments also empower the authorities to dismiss commercial bank executives whose performances are regarded as poor and to replace them with government-appointed personnel.

In addition, bankers found violating the law will face stiffer penalties along the lines of those governing finance companies.

Managing provident funds is one of the new business lines which commercial banks will be allowed to undertake under the proposed amendments. However, not all universal banking in the Thai commercial banking system, says Bot governor Kamchorn Sathirakul. "The proposed amendments will not allow universal banking in the Thai commercial banking system," he adds.

At the same time, the proposed amendments will provide clearer guidelines on how new foreign and local banks can be opened in Thailand.

Another revolution is the introduction of electronic banking services. To date, more than 150 automatic teller machines have been installed and operated by major Thai commercial banks, mainly in Bangkok.

Thai banks have applied to the central bank to import

another 390 ATM units, as competition grows fiercer. Major Thai banks are also campaigning vigorously to bolster their shares in the credit card business. Foreign banks, meanwhile, are keeping a low profile.

The year 1984 saw a marked slow down in the growth of commercial banks. Deposits in the system increased 25 per cent to 494bn baht (about US\$21bn) as compared with the previous year's growth rate of 26 per cent. Lending decelerated from 3.3 per cent in 1983 to 17.7 per cent totalling 480.7bn baht (about \$20bn). Total assets at the year end rose 21.2 per cent over the previous year (whose growth rate was 24.7 per cent) to 639.4bn baht (about \$27bn), according to Bot statistics.

In 1984, local commercial banks experienced tight money early in the year and high liquidity near the end of the year.

Bangkok Bank, Asean's largest bank, predicts that commercial banks deposits and credits in 1985 will grow more evenly, as economic growth will be close to that of 1984 and inflation will rise to some 6-7 per cent.

## Thailand

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	5.8	6.3	4.1	5.8	6.0
Inflation (%)	19.7	12.7	5.3	3.7	0.9
Current acct. balance (US\$m)	-2,070	-2,569	-1,003	-2,874	-2,400
Exchange Rate: Baht vs US\$	20.48	21.82	23.00	23.00	23.64

# BAHRAIN INTERNATIONAL BANK E.C.

P.O. Box 5016 Manama, Bahrain. Telephone: 274545 Telex: 9832 BIR BN

BALANCE SHEET AT 31 DECEMBER 1984 (Expressed in U.S. dollars '000)			STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 1984 (Expressed in U.S. dollars '000)	
	1984	1983	1984	
ASSETS			Interest income	26,422
Cash and due from banks	1,406	206	Interest expense	( 5,390)
Time deposits with banks	170,584	189,590	Net interest income	21,122
Marketable securities	44,817	48,723	Fee and other income	1,102
Certificates of deposit	29,563	15,115	Total income	22,224
Loans	31,444	9,938	Operating expenses	( 4,847)
Property and equipment	10,313	4,400	Net operating income	17,377
Other assets	6,271	2,672	Provision for possible losses	( 6,360)
TOTAL ASSETS	294,398	267,972	Net income (loss)	11,017
LIABILITIES AND SHAREHOLDERS' EQUITY			Retained earnings, brought forward	10,898
LIABILITIES				21,915
Deposits from banks	83,829	68,957	Transfer to legal reserve	( 1,101)
Customer deposits	2,175	1,860	Transfer to general reserve	( 1,101)
Other liabilities	1,000	778	Proposed dividend	( 8,995)
Proposed dividend	8,995	—	Retained earnings, carried forward	10,718
TOTAL LIABILITIES	95,999	71,595		
SHAREHOLDERS' EQUITY				
Share capital	179,901	179,901		
Legal reserve	4,185	3,084		
General reserve	3,995	2,494		
Retained earnings	10,718	10,898		
TOTAL SHAREHOLDERS' EQUITY	198,399	196,377		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	294,398	267,972		



## World Banking 10

## Conduit role with China will be critical

Hong Kong  
DAVID DODWELL

WHEN Mr Victor Menezes, head of Citibank in Hong Kong, recently suggested that offshore banking centres are "an endangered species," he added fuel to the debate over the British territory's future as the heart of Asia's banking business.

Few have gone so far as to suggest that the banks and bankers that make up the world's third largest financial community are about to pack their bags; but the banking industry in Asia is in the throes of fundamental change, and it is a brave person who is predicting what it will look like in five years' time.

Critical shifts are occurring in Japan, where the speed with which legislators liberalise their banking industry—and the extent to which they liberalise—will have a major influence on the Hong Kong market in the years ahead. Reforms taking place in Australia will have their effect, though few bankers see them as very threatening. Perhaps most critical of all is the emergence of communist China, and the role Hong Kong will play as a conduit for the financing of Peking's ambitious development plans.

Offshore banking centres were spawned and survived

only because of deficiencies elsewhere. Mr Graham Thomas, head of Lloyds Bank International in Hong Kong, noted recently, "As the deficiencies are resolved, so the raison d'être of offshore centres disappears—and that applies to any other offshore centre."

Another factor forcing change has been the increasing caution with which Asian sovereign borrowers have sought new funds. Countries like Indonesia, Malaysia or Thailand have gone without rather than encumber themselves with the debt problems recently witnessed in Latin America.

For Hong Kong, the centre for most sovereign syndicates in the Asian region, stagnant borrowing needs—Asia's banks called for U.S.\$39.5bn in 1984, a mere 1 per cent up on 1983—have led to fierce competition among international banks, with an inevitable shaving of profit margins.

At the same time, international banks' increasing concern over the "securitisation" of loans has brought to Hong Kong a meteoric increase in the use of new lending instruments—swaps, floating rate notes, bonds, options, and the many permutations on such themes.

For the first time last year, bonds overtook syndicated loans as the main source of financing in the Asian regional market based on Hong Kong. Since 1982, bond business has

## Hong Kong

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	11.7	9.4	2.9	5.1	9.6
Inflation (%)	15.9	14.1	10.6	9.8	9.5
Merchandise trade balance (US\$bn)	-13,408	-16,212	-15,508	-14,743	-1,929
Exchange Rate: HK\$ vs US\$	4.98	5.59	6.07	7.37	7.80
Trade weighted index	97.84	91.58	90.36	77.79	75.05
Real trade weighted index	92.15	91.61	96.82	89.82	91.18

burgeoned from U.S.\$9bn to U.S.\$19.4bn, while syndicates have slipped back to U.S.\$17.7bn. "We will go on finding more subtle techniques that enable us to create paper without swallowing assets," said one locally-based American banker, echoing a trend that is already well defined in Europe and the U.S.

If Hong Kong's future as a centre for servicing the Asian region has been called into question, its future as the main channel for China's borrowing needs seems certain to buoy it into the distant future.

"There was a time when we had a China desk—literally a desk, with a single person behind it," Mr Raymond Soudah, head of the Midland Bank's operations in Hong Kong, recalled. "Now it would be as ridiculous to talk of a China desk as it would be to

talk of a U.S. desk or a UK desk. Hong Kong will remain significant serving the wider Asian region. It is by providing a base for China that it will remain the important banking centre it is today."

Having played a critical role in providing finance for the U.S.\$3.6bn Daya Bay nuclear power plant—a project that has taken the greater part of four years to negotiate—Midland would be among the first to admit that business in China is at present painstakingly slow, but they, like others, remain confident that this will change.

Already the Bank of China, with its 13 "sister" banks based in Hong Kong, ranks second only to the Hongkong and Shanghai Banking Corporation as a lender in the Hong Kong domestic market. They are becoming increasingly

important as banking partners for regional development inside China.

In Guangdong province alone (which borders Hong Kong) foreign corporations invested U.S.\$650m last year, with commitments significantly above this level.

Citibank's Mr Victor Menezes sees Hong Kong providing much of the finance needed for China's development in general and of the Pearl River delta area—recently designated a special economic area—in particular.

In contrast with the rapid growth of international banking activity in Hong Kong, domestic banking has remained dull.

At the same time, the Banking Commission which polices the operations of the territory's 140 registered banks and 350 deposit-taking companies (DTCs) has laid the ground for wide-ranging reforms. These are intended to improve regulation and minimise the risk of a recurrence of scandals in 1982 and 1983 which seriously undermined confidence in the Commission's ability to monitor effectively the local banking sector.

In their efforts to stimulate loan demand, banks have cut interest rates from a high last year of 17 per cent—an emergency measure to halt a run on the local currency—to 9 per cent today.

Bankers hoped that a re-emergence of confidence in the territory since the signing of

the Sino-British joint declaration on Hong Kong's future after 1997 would boost demand for house mortgages, and would prompt local manufacturers to resume investment in new capital equipment. While there are some signs of an upturn, they have not been enough to soak up the liquidity building up in bank vaults in recent months.

The bank reforms, likely to be the most wide-ranging in Hong Kong for many years, are expected to involve banks making more detailed statistical returns, with bank auditors being called upon to liaise closely with the Banking Commission. Most controversially, new ways of measuring bank liquidity and capital adequacy are being recommended.

In challenging the present system, the commission is suggesting that it be permitted to make judgments about the capacity of banks. Those thought to be well managed will be "free to pursue their business with minimum requirements of capital and liquidity," a discussion paper suggests. Those judged to have weak management will be supervised more closely than is at present possible.

An elaborate process of consultation with local banks over the reforms has now entered its final stage, with the Government planning to start drafting new legislation at the beginning of May. The laws are likely to be in place before the end of this year.

## Singapore

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	10.3	9.9	6.3	7.9	9.8
Inflation (%)	8.5	8.3	2.9	1.3	2.6
Current acct. balance (US\$bn)	-1,564	-1,382	-1,300	-956	-300
Exchange Rate: S\$ vs US\$	2.14	2.11	2.14	2.11	2.13
Trade weighted index	112.71	130.92	126.15	131.45	134.99
Real trade weighted index	127.68	130.80	126.11	122.92	121.14

## Traditionalist policies remain firmly in place

Singapore  
RAY HEATH

REGULATION, rather than deregulation, continues to dominate Singapore's banking sector. Other financial centres might be building financial supermarkets, but the banking parlours of Singapore remain traditionalist for now.

One of Singapore's principal economic and financial architects, Dr Goh Keng Swee, finally stepped out of public life ahead of December's general election in Singapore—but his philosophies remain firmly in place.

From his eyrie in the Monetary Authority of Singapore's headquarters, Dr Goh's eyes had watched the banking sector, and he was prepared to swoop on any sign that could possibly jeopardise the republic's banking reputation. World banking crises might be set off by small banks in Texas, but not large banks in Singapore.

His successor as chairman of the MAS differs in style from Dr Goh, but he is just as willing to modify or introduce new regulations—and with Singapore's economy facing uncharacteristic uncertainty, what might have once been regarded as heavy handed regulation, looks increasingly like prudent banking.

Slack business in the region, problem property loans and the slowing economy are hardly ingredients for dramatic changes, pointed out one banker.

The financial revolution is taking place, if at all, by proxy when components of overseas mergers happen already to have operations in Singapore. Evans Govett, and Security Pacific bank—one of the early examples of the transatlantic banking and broking tie-ups, are both well established in the financial district, but so far there is little outward evidence of their evidence of their relationship.

Nor has the more recent link-up between Hongkong and Shanghai Bank and stockbrokers James Capel—both well established in the republic—led to apparent changes. However, the two are believed to be examining areas of possible co-operation.

The first signs of local action came in November when after some months of talks, the Kuwait Investment Office revealed that it had taken a 25 per cent stake in JBS Securities, one of Singapore's largest stockbrokers.

This was expected to set a

precedent, but so far, there has been no sign of further local link-ups.

Nor does there appear to be the need for banks and stockbrokers to link with other financial organisations. There is no major domestic institutional investment market to tap. The Central Provident Fund, and the Post Office Savings Bank which together suck up the bulk of employee savings invest almost exclusively in government stocks, and the stock market remains dominated by individuals and private syndicates.

This is unlikely to change despite the Singapore government's drive to attract offshore fund management to the island. Funds that invest in Singaporean or Malaysian stocks will be exempt from the tax benefits now on offer, a rule which has led to the familiar criticism of Singapore's unrealistic regulations.

Behind the restrictions, though, is the government's determination that the Singapore dollar will not become an international currency, subject to forces over which it has no control.

The debate on the impact that the world financial revolution will have on Singapore is hotting up. The deregulation of Tokyo, Hong Kong's return to favour following the promised safeguards in the 1987 agreement with China, and even Australia's progressive approach to finance cannot be ignored.

The indications are that, within the regulatory framework, the major changes will come in through the side door and will evolve through the activities of the overseas institutions with branches in the country, rather than be led by the major local banks.

Not that Singapore has not made a major contribution to the opening up of world financial markets. The pioneering Singapore International Monetary Exchange and its 24 hour financial futures trading arrangement set up in partnership with Chicago has been running for seven months.

The mutual offset system which allows traders to use both markets is reckoned to be working smoothly, and local seat holders are satisfied that it is providing advantages for local dealers, rather than acting merely as a convenient facility for Chicago dentists.

The Simer experiment, which is being closely followed in London as well as other futures markets, is an indication that Singapore is prepared to make bold moves—as long as they do not threaten the stability of the economy of the 620 square kilometre island.

## Opting to stimulate business confidence

Malaysia  
WONG SULONG

MALAYSIAN BANKING is entering a challenging phase, coinciding with Mr Daim Zaidi's Finance Minister since last July—exercising a predominant influence over the country's financial system and economy.

For the past three years, Malaysian banks have been grappling with two apparently conflicting dilemmas.

First, the need for prudence and rigorous re-examination of their loan portfolios in the light of the Third World debt crisis, and in particular with the repercussions of the Bank Bumiputra loan scandal in which Malaysia's biggest bank lost

close to US\$1bn in bad loans to Hong Kong property speculators.

Second, the need for banks to play a primary role in stimulating business confidence and private enterprise, so vital for economic recovery since future Government budgets, will be austere.

The second choice has now prevailed. This does not mean lowering of caution and banking standards, but banks are expected to display competitive spirit, innovation and entrepreneurial flair.

The 66-year-old Daim, a close confidante of Dr Mahathir, the Prime Minister, and a prominent businessman before joining the Government, has moved quickly to shake off the national fixation on the Bank Bumiputra loan scandal.

Top management in the banking industry has been over-

hauled, starting with the Central Bank, where Tan Sri Aziz Taha, the Governor, who did not see eye to eye with Daim on important issues affecting the banks, stock market and economy, had to quit.

The new Governor, Datuk Jafar Hussein, formerly chief executive of Malaysian Banking, will take over as Governor in June, and he is expected to oversee the era of bank deregulation.

Significant board changes have also been made at Bank and United Malaysian Banking Corporation—respectively the country's top three banks, and all Government-controlled.

"Clearly, the Malaysian banking industry is moving into an interesting phase," says one foreign banker.

"Deregulation is a catchy word, but we are not going to see here the sort of deregula-

tion now sweeping the U.S. and the UK. Still, there will be some fairly significant reforms fairly soon," he adds.

Since independence, 28 years ago, Malaysian banks have grown rapidly; banking profits expanded two-and-a-half times faster than the national economy for much of the 1960s and 1970s.

But this growth was nurtured under the watchful eyes of the Central Bank, which prescribed well-defined roles for commercial banks, merchant banks, discount houses and finance companies.

That the Malaysian banking scene is getting to be more competitive is reflected in the deposits and loans between commercial banks and finance companies.

Ten years ago, for every \$100 received by commercial banks

as deposits, the finance companies had \$17. Now the ratio is 100 to 30.

Growth in bank lending slowed from 25 per cent in 1983 to 19 per cent last year, while lending by finance companies rose from 30 per cent to 36 per cent.

The recent decision to reduce statutory reserves of commercial banks by 1 per cent to 4 per cent—and increasing that of merchant banks by a similar percentage point to 2.5 per cent—has a dual purpose.

It puts the two types of banks on a more competitive footing, while it releases 400m ringgits (U.S.\$160m) to ease the tight liquidity in the market.

On the request of the Central Bank, the International Monetary Fund (IMF) recently completed a major study on the liberalisation of interest rates—seen as the key to stimulate banking competition.

The IMF report concluded that the Government's new economic policy objectives of helping the economically backward Malays is desirable and attainable, without sacrificing efficiency and competitiveness in the economy and financial system, provided the right incentives are given.

For example, the "priority sectors" (small businesses, Malays, agriculture and low-cost housing) should continue to receive Government assistance, but not through cheap bank loans, as this policy tends to retard competitiveness in these sectors while depriving much needed funds from the more dynamic enterprises.

Loans to the "priority sectors" take up about a fifth of total bank loans, and the Central Bank recently allowed banks to raise interest rates to these sectors to 10 per cent.

The Government is also talking about the prospect of allowing merchant banks to participate in the foreign exchange market, now confined to commercial banks, and to take up equity stakes in stock broking firms.

Finance companies may be allowed to join the interbank market, and a secondary mortgage market may be introduced to give banks more flexibility in managing their loan portfolios.

Malaysian businessmen are unanimous that the financial sector is still "the best business to be in," and the prospect of deregulation has created an air of excitement in the industry.

However, the Central Bank, in its 1984 annual report has put out a word of caution: The financial system sorely needs skilled managers of integrity, and unless such professionals are managing the industry, there could be dangerous pitfalls.

## Malaysia

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	7.8	7.1	5.6	5.8	6.7
Inflation (%)	6.7	9.7	5.8	2.7	4.0
Current acct. balance (US\$bn)	-285	-2,486	-3,642	-3,349	-2,500
Exchange Rate: Ringgit vs US\$	2.18	2.30	2.34	2.32	2.34
Trade weighted index	107.12	104.89	111.31	114.33	117.25
Real trade weighted index	79.03	79.95	87.83	82.77	86.57

Philippines  
SAMUEL SERONEN

THE BANKING sector in the Philippines is facing an highly uncertain future, with the condition of the financial system in some distress.

Most of the country's licensed banks, numbering over 1,400, have been experiencing severe liquidity problems since midway through 1983, when depositors started withdrawing funds in large amounts and business began to falter in the wake of an uncertain political environment following the assassination of opposition leader Mr Benigno Aquino.

The crisis that followed, and has persisted during the past 22 months, exposed the fragile foundation of the Philippine banking system.

A year-long study on the system, completed in February 1985 by the Nomura Research Institute of Tokyo upon commission by the Asian Development Bank, has shown that a large number of banks have already become undercapitalised.

The 34 commercial banks which accounted for about 86 per cent of the total resources in the financial system in 1983 (\$34.7bn pesos or roughly U.S.\$10.7bn) were found to have liberally stretched their resources by lending more than their deposit bases.

Banks have also been generally hounded by chronic deficiencies in the 24 per cent reserve they have to maintain against deposit liabilities.

The dismal state of the banking system is best reflected in the condition of the Government-owned Philippine National Bank, the country's largest commercial bank with assets exceeding 87bn pesos (\$4.8bn), and which incurred a net loss of 1.1bn pesos last year.

Philippine National is one of only three banks in the country which have resources in excess of \$1bn. The two others are the Private Bank of the Philippines (PBP) (\$1.1bn) and Citibank-Manila (\$1.5bn).

The main preoccupation of banks at present, says BPI president and chief operating officer, Mr Xavier P. Loinaz, is restructuring and collection of loans.

Except for a handful of large and well-managed units, most banks are saddled by delinquent accounts.

## Philippines

	1980	1981	1982	1983	1984
Real GDP growth (%) from previous year	4.9	2.8	2.9	1.1	-6.0
Inflation (%)	17.7	12.1	16.2	10.0	50.3
Current acct. balance (US\$bn)	-2,046	-2,215	-3,211	-2,758	-1,600
Exchange Rate: Pesos vs US\$	7.51	7.90	8.54	11.11	16.70

Historically, Mr Loinaz says, the delinquency rate in the system has only been about 10 per cent. Now, this has shot up to 20-25 per cent, a situation he described as "terrible."

Lending has become highly selective, although borrowers are few and far between.

Lending rates have been forced to rise to 40 per cent range because the Government has tightly reined credit to check inflation which averaged 50 per cent last year.

As a result, business activity has virtually ground to a halt and a rash of bank failures has occurred. This is exemplified by Banco Filipino Savings and Mortgage Bank, the country's largest thrift bank, which unceremoniously folded in January.

Last month, the Government-owned Philippine Veterans Bank was closed for insolvency.

Another commercial bank is on the chopping block and several others face the same fate unless drastic measures are taken to save them.

To ride through the crisis, the strategy of the large banks has been to acquire thrift banks because their required reserve against deposit liabilities is only half of that for commercial banks.

Such acquisition translates into low liquidation costs, sufficient lending fees-based services can be generated to keep both banks viable.

But for those which have neither the resources nor the daring to go into acquisitions, the only alternative is merger or consolidation.

Such a cleansing process is exactly what the Central Bank wants, but is unable as yet to significantly achieve.

As a condition for approval by the International Monetary Fund of a \$615m emergency loan in December last year, Central Bank Governor, Mr Jose Fernandez, had pledged a policy of financial reforms that would lead to the "formation of strong, large and well-managed banking units either through merger, consolidation or acquisition."

Movement towards that direction, however, has been deliberately slow because bankers themselves either resist forced banking marriages or are suing for more time with the hope brighter economy will somehow catches up with them.

It would certainly take a little more time and a lot harder pushing for the commitments of Mr Fernandez to be fulfilled.

## Navigator

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## A system still to come of age

Indonesia  
KIERAN COOKE

"LIKE lightning on a summer day" is how one observer described the events which rocked the Indonesian banking system early last September. Earlier, there had been marked improvements in Indonesia's balance of payments position while foreign reserves were climbing steadily. Then suddenly the interbank rate shot up to hitherto unknown heights, reaching more than 90 per cent on September 5, four times as high as a month previously. Eventually, rates fell back and bankers breathed a sigh of relief.

Nervousness about the value of the Indonesian currency, the rupiah, was the major reason for the September crisis. Private banks in particular suffered as depositors rushed to make withdrawals: many of the banks, buoyed by an upturn in the Indonesian economy early in 1984, had launched aggressive lending programmes and found themselves short of funds.

Foreign banks, with their operations restricted to the Jakarta area and forced to operate with low liquidity com-

pared to their lending activities, also faced problems.

The Central Bank, Bank Indonesia (BI), reacted in a manner that has won praise in banking circles — waiting quietly till the market calmed before introducing further discount window facilities and not being panicked into any overtly interventionist action which could in turn have caused further tremors in the market.

But the whole episode did serve as a salutary reminder that Indonesian banking had still not come of age, despite major reforms taken in mid-1983 and designed to modernise and deregulate the system.

The 1983 reforms, which among other things abolished credit ceilings and removed limits on interest rates offered on time deposits at state banks, were designed both to attract funds back into the banking system which had gone offshore following a 27 per cent devaluation earlier in the year and, more fundamentally, to make the entire banking system more competitive and responsive.

On the first count, the measures were an overwhelming success, with funds held on time deposits up more than 85 per cent by mid-1984 at the five state banks which still dominate the Indonesian banking sector.

On the second count the measures were less successful: the state banks in particular

### Indonesia

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	9.9	7.9	2.2	4.2	4.2
Inflation (%)	18.5	12.2	9.5	11.8	10.4
Current acct. balance (US\$m)	2,864	-566	-5,324	-6,338	-4,000
Exchange Rate: Rupiah vs US\$	627.0	631.8	661.4	909.3	1,025.9

have found it hard to adapt to the changes.

Despite some signs that they are shaking off the lethargy created by 40 years of protection, the state banks are still seen as overly cautious and bureaucratic institutions, unwilling or unable to react quickly enough to avert situations, like last September's. Many of Indonesia's more than 60 private banks say that a major reason for last year's crisis was because state banks were sitting on idle funds, content to live off their Government transactions and not willing to risk lending on the interbank market.

There is even some evidence to suggest that some state banks, perhaps hedging against a possible devaluation, placed substantial sums overseas, further reducing the money supply. People now talk of "the shake-down" in the private banking sector: one private bank, Bank Perkembangan Asia (BPA) has already failed. Others are likely to follow and observers feel that eventually there will be less than 20 private banks operating in this country of 160m people. At present, the two major

state banks are Bank Negara Indonesia 1946 (BNI 1946) and Bank Bumi Daya (BBD). Five private banks dominate the private banking sector: Bank Central Asia (in which the Chinese Indonesian business tycoon Liem Sioe Ljong has a major shareholding), Bank Duta Ekonomi, Pan Indonesia Bank, Bank Umum Nasional, and Bank Miaga.

Bank Indonesia is generally considered to be a well managed institution, fully aware of the shortcomings in the system. Recent measures that have won praise have been aimed at creating a secondary money market so as to avoid further liquidity problems.

In January BI's governor, Dr. Arifin Siregar said in future banks could raise short-term loans by endorsing and discounting their corporate clients' commercial paper and bills of exchange as well as issuing their own paper in the money market.

"There is still some way to go," said one banker, "but Bank Indonesia is forcing through some fairly radical changes to a system that had tended to lag well behind the pace of the country's development."

## Mixed blessing in the short-term

South Korea  
STEVEN BUTLER

THE Korean Government is forging ahead with measures to strengthen and liberalise the domestic banking system in the face of persistent serious obstacles.

Profits of the commercial banks did rise last year, largely a result of the widening spread in government controlled interest rates. But the banks' market share in the domestic financial system continued to decline and the failure of the Kukje group, Korea's seventh largest conglomerate in terms of assets, highlighted once again the high volume of non-performing bank assets.

The commercial banking system still suffers heavily under the legacy of the 1970s, when the government owned all the banks and used them principally as a conduit to funnel cheap loans to targeted sectors of the economy. The banks never developed the technical capability to make sound credit decisions, and next to a very large, high-interest bank market that was plagued by scandal.

In a first step to liberalise the system, in 1983 the government began to sell shares of the banks to the private sector. Interest rates came down

steadily as the government brought inflation under control with a tight-money policy.

Last year, the government raised interest rates in two steps and for the first time allowed the banks to loan money within a narrow interest-rate band, between 10 per cent and 11.5 per cent beginning in November. In practice, because of the shortage of bank funds, most loans were fixed at 11.5 per cent. Deposit rates rose as well.

But liberalisation did not have the desired effect. The ratio of M3 to M2 continued to rise steadily, from 1.42 in 1980 to 1.90 at the end of March, indicating that the banks lost market share to rapidly growing short-term investment and finance companies that offered higher rates.

In addition to their weak deposit base, the banks were saddled with a huge amount

of loans that are basically non-performing. Last year loans from the Bank of Korea, Korea's central bank, to other banking institutions increased by 35.7 per cent to a record of 7,052.6bn won.

Much of the increase is believed to be for loans to shore up ailing businesses, including construction and shipping concerns. The Ministry of Finance will not say how much bad debt the banks have, but ministry officials admit the problem is very serious and may take 10 to 15 years to resolve. The banks have tied their fate to Korea's highly leveraged conglomerates and they have no choice but to keep lending them money.

In the mean time, officials say the government is letting the banks make more of their own credit decisions. The size of specialised funds for capital investment has dropped and the banks work under broad

guidelines rather than specific directives.

On April 18, the government again lifted interest rates, this time to a maximum of 18.5 per cent for long-term loans, and as high as 13 per cent for some types of deposits.

New deposit instruments were also developed to encourage long-term saving. The hike in rates puts the returns on deposits at the banks very close to the short-term finance companies for the first time and may be enough to create the momentum toward long-term savings that the government so desperately wants.

Foreign banks, too, are starting to play a broader role as the government moves gradually to equalise their treatment with domestic banks. They now have access to the central bank's discount window for export financing and the access will broaden next year.

But while many bankers welcome the direction of policy because it opens new areas for business, in the short run it is a mixed blessing. They face new restrictions in profitable areas of operation. The new policy reduces the guaranteed 1 per cent margin on swap transactions to 0.75 per cent and the banks are saddled with requirements to lend 25 per cent of their new loans to small and medium-sized companies. With the complexity of the new rules, some bankers are not sure yet if they will come out ahead or not.

### Korea

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	-3.0	6.9	5.5	9.5	8.0
Inflation (%)	28.7	21.3	7.3	3.4	2.3
Current acct. balance (US\$m)	-5,321	-4,646	-2,650	-1,606	-1,600
Exchange Rate: Won vs US\$	607.43	681.03	731.13	775.75	805.96

### Nigeria's money supply

(figures in Naira bn)

	Dec 1981	Dec 1982	Dec 1983	June 1984
Credit to private sector	9.7	11.4	12.1	12.4
Credit to government sector	6.8	10.5	15.8	16.7
Foreign assets (net)	2.5	1.1	0.9	1.3
Other assets (net)	-3.3	-6.1	-9.7	-10.6
Less quasi money	5.8	6.8	8.0	9.0
Money supply	9.7	10.0	11.3	10.7

## Harder times ahead as growth slows

Nigeria  
TONY HAWKINS AND  
MICHAEL HOLMAN

BANKING REMAINS a flourishing business in Nigeria, at least in comparison to almost every other sector in an economy under pressure as the country comes to terms with declining oil revenues.

But the days of rapid growth which owed much to the Government's expansionist monetary policy are probably over. Last year the authorities took a firm grip of money supply after three years of unrestrained growth.

Between 1979 and 1982 money supply, including quasi-money, doubled. Growth slowed in 1983 to some 12 per cent, but last year three measures brought the growth rate down further, to only four per cent.

● The credit ceiling, set by the central bank, was reduced from 25 per cent to 12.5 per cent in 1984.

● Bank lending to the public sector was drastically reduced, from a 50 per cent increase in 1983 to under 10 per cent in 1984.

Private sector demand for credit dropped considerably. This was the consequence of increasing liquidity in the companies themselves as they laid off workers, ran down inventories and cut costs in response to government cuts in foreign exchange allocations.

The increased liquidity, however, was beneficial to the banks, insofar as it meant a reduction in their cost of funds, and a consequent widening of their spreads.

A second factor which has assisted the banks is their role in the country's foreign exchange allocation process, which enables the banks to link access to currency with the utilisation of other bank facilities and services.

Nevertheless, harder times lie ahead. Until 1984 the rate of credit expansion was well above the rate of inflation, but that has been reversed. Inflation last year was officially put at 40 per cent, while the banks were ordered to work within a 12.5 per cent limit on the expansion of credit.

The target in 1985 is an inflation rate of 30 per cent, and credit expansion held to 7 per cent, which will squeeze margins

and narrow spreads as the cost of funds rises.

Two factors in particular will affect the banks' performance in the months ahead: access to letters of credit, and the impact of the issue of promissory notes for trade arrears, due to take place in the course of the year.

Nigerian importers who have to put up Naira against the issue of the notes may need to borrow funds from the banks.

A further source of business is expected to be the funding of contractors still awaiting payments from state governments for projects completed but not paid for.

A critical point will be the way in which the Federal Government handles the rescheduling of the public sector's domestic naira debt, which includes the obligations of the state governments and state-owned corporations.

It is estimated that some N1.4bn is owed to the banks by the state governments, but the Federal Government's opening proposals for refinancing the debt did not include this amount. The banks, needless to say, have been pressing for its inclusion, for otherwise some of the banks could face serious liquidity problems.

While there is still some room for expansion of the sector, the rapid growth of the early 1980s is unlikely to be repeated.

During those boom years the number of commercial bank offices and branches increased more than 70 per cent from 672 in 1980 to 1,151 in mid-1984. The take-off was in part due to the Government's determination to bring banking to the rural areas, and by the end of December 1983 over 380 rural branches had been established under the Government's rural banking programme. This is still behind the Government's target, however, reflecting the bank's reluctance to enter the high-cost low-return rural network.

Of the joint-venture commercial banks in which foreign ownership is limited to 40 per cent, three continue their traditional dominance, although their share of the market is declining: First Bank (38 per cent owned by Standard Chartered), Union Bank (20 per cent Barclays) and the United Bank for Africa (40 per cent owned by Banque Nationale de Paris).

But as numbers of banks in the market has grown the Big Three have seen their share of all deposits and loans fall from 65 per cent in 1980 to around 50 per cent today.

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## World Banking 12

## A period of adjustment

## Arabian peninsula

HILDA LOWRY

AFTER THE mushroom growth of the oil boom years Arab banks now find themselves in the midst of a long period of adjustment. In the past three years the oil, gas and investment incomes of the Arabian peninsula oil states—Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain and Qatar—have fallen from US\$170bn to an estimated \$100bn in 1984.

The recession which has followed throughout the area, as governments have cut their on major infrastructural and industrial projects, has put strains on a hurriedly constructed banking system not used to being tested in this way. Late payment to contractors has resulted in many businesses having to stop trading or at the best rely on their banks to tide them over.

Many of the loans extended by the banks to individuals and companies at a time when the prospect seemed to be one of continuing growth have also been seen as highly dubious, and heavy write-offs are having

to be made by banks throughout the region.

The recession in other countries outside the region has also brought problems for the banks, and at the same time exposed the relative lack of depth to their operations, and the need to develop a more sophisticated range of services.

Syndicated sovereign risk lending, the staple business of the regions' banks in the late 1970s and early 1980s, has declined as governments around the world have cut their development spending.

The syndicated market has almost halved in the past four years and as a result has become much more competitive. The emphasis has switched, too, to corporate rather than sovereign lending, operations which are potentially much trickier.

Whereas sovereign risk lending would normally demand annual review by the bank concerned, corporate customers need much more careful appraisal on a more frequent basis.

For this, many of the Arab banks lack the numbers of experienced loan officers required.

The lack of trained manpower, able to develop these and other new types of business, has long been recognised as a weakness, and serious attempts are being made to rectify this

through the development of training centres.

While the underlying problems are the same, however, the symptoms have, under the influence of local conditions, taken a different form in the various countries of the region.

In Saudi Arabia banks concerned with growth and market share competed with each other in the 'boom years' to extend credit to each other, often being prepared to accept fairly sketchy guarantees.

Many of these borrowers are now experiencing difficulties in making repayments, yet the banks have no guarantee the courts will find in their favour should it be necessary to seek legal redress. Because of Islamic laws against the charging of interest the courts will throw out cases where an element of interest is involved.

The problem essentially is the absence of a modern banking law. According to some bankers this is essential if the Saudi Government really wants a modern economy.

In the neighbouring territory of Bahrain—which has sought to build up its financial services sector to compensate for the lack of oil wealth compared with the rest of the Gulf—current problems stem from the recession elsewhere.

Bahrain's offshore banking units have been hit by the drop in the number of projects requiring finance in Saudi Arabia and by Saudi Arabia's moves to develop its own banking market.

Just as important for Bahrain's banks as the narrowing of possibilities in Saudi Arabia has been the overall recession within the Gulf. In Saudi Arabia itself project spending has fallen by half while the Iran-Iraq war has removed opportunities in both those two countries.

Across in Kuwait the problems have been centred domestically on the collapse of the Souk al Manakh stock exchange. Though the banks in theory have no direct exposure (being forbidden by Kuwait's Central Bank from lending for speculation) considerable funds were extended in the form of personal loans which subsequently ended up in the Souk. Bankruptcies arising from the Souk's problems, and there are already several hundred, also pose a threat to bank collateral because of their effect on share prices and land values.

Yet although possibly as much as 20 per cent of Kuwait's banks' loan to the private sector are now thought to be doubtful (of which a proportion will prob-

## Bahrain

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	35.4	15.1	6.7	n.a.	n.a.
Inflation (%)	3.8	11.3	8.9	3.0	2.5
Current acct. balance (US\$m)	375	505	447	161	200
Exchange Rate: Dinar vs US\$	0.38	0.38	0.38	0.38	0.38

## Kuwait

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	-2.7	-5.3	-1.4	2.5	3.0
Inflation (%)	6.9	7.4	7.5	4.7	1.5
Current acct. balance (US\$m)	15,272	12,702	4,460	4,390	5,700
Exchange Rate: Dinar vs US\$	0.27	0.28	0.29	0.29	0.30

## United Arab Emirates

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	26.4	-1.7	-5.1	-13.5	-3.0
Inflation (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Current acct. balance (US\$m)	10,390	9,207	6,211	4,549	4,050
Exchange Rate: Dirhams vs US\$	3.71	3.67	3.67	3.67	3.67

## Saudi Arabia

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	10.1	7.9	1.7	-10.8	-4.0
Inflation (%)	3.8	2.7	1.1	0.9	-1.2
Current acct. balance (US\$m)	41,484	32,353	-1,100	-18,433	-13,200
Exchange Rate: Riyals vs US\$	3.33	2.39	3.43	2.45	3.52
Trade weighted index	115.46	125.43	140.07	150.31	161.92
Real trade weighted index	139.20	140.94	146.44	152.52	150.42

ably have to be written off), the damage may not turn out as bad as at first thought, because of the very large reserves which the previously very profitable banking system has built up. Nevertheless, the problems experienced by the banks of all the main countries in the region have proved salutary and have pointed to the need for changes, reforms and new developments.

Many of the countries of the region are overbanked and rationalisation will have to take place. In the United Arab Emirates, for example, where three banks have run into difficulties in the last 18 months, there are 102 banks and 284

branches for 1.3m people. There will inevitably be more mergers and bigger banks that are created seem likely to seek to reduce their dependence on their respective local markets by internationalising their operations.

There has recently been a big build-up in the Arab banking presence in New York, following earlier similar moves into London—evidence that the bigger groups and some of their smaller brethren see the need to follow their clients overseas. In the main these are private investors but they also include foreign companies doing business in the Middle East.

## Clearer guidance sought

THE PAST YEAR has been a painful one for Egypt's banking sector which has had to accommodate to lower profitability and contradictory government regulatory policies, particularly those affecting rate management.

Bankers are looking to a period of stability in the months ahead with clearer direction for the central bank of Egypt and the Government itself after the embarrassing turnaround in April on new currency regulations introduced at the beginning of January.

Egypt's banking sector has also been jolted by a scandal that affected a number of local second-tier banks over imprudent dealings with a black market trader. That case ended up before the courts and resulted in sequestration orders against the property or more than a dozen bankers and the money dealer. The case also helped bring down Egypt's economy minister who was criticised in the judge's summation of the case.

Erratic economic management has been a feature of the past 12 months in Egypt and this has almost certainly had a negative effect on investment, particularly in the private sector, and on banking activities generally.

A reflection of the Government's uneven performance in the economic sphere was its implementation of new currency regulations on January 5 which sought to move towards a unified exchange rate regime through a limited float of the Egyptian pound.

The new measures also involved changes to the system of funding imports as part of a drive to stamp out black market trading in local currency and to hold down imports in view of Egypt's trade deficit of more than US\$5bn in 1984.

The January 5 regulations created serious bottlenecks for importers who were obliged to compete for hard currency in short supply in the banking sector. It became quickly apparent that even though the aims of the new policy were laudable, Egypt's banking system did not have the resources to meet demand for foreign exchange and creditably support a floating currency that was still being traded at a protected 'incentive' rate 10 per cent below that available on the black market.

The new system quickly fell into disrepute, inflows of foreign currency through the banking system did not meet demand and serious divisions were evident within the Government over exchange rate management.

It was only a matter of time before a further reform was introduced and that happened in April soon after the appointment of Dr Sultan Abu Ali as economy minister to replace the disgraced Dr Mustapha Sad.

Egypt effectively went back to the 'own system' of funding imports whereby exporters secure hard currency from whatever sources available to them including the black market.

In Egypt, even public sector entities are obliged to go outside the banking sector to secure funds or imports in a business estimated to be worth between US\$3bn and US\$4bn a year.

Debate within the Government over rationalising Egypt's

## Egypt

TONY WALKER

multi-layered exchange rate regime is unresolved and is likely to remain so until the central bank has the resources compete actively in the market.

At the time of writing, Egypt was negotiating with the International Monetary Fund for standby arrangements believed to be in the order of US\$1bn to US\$2bn.

Cairo has long been at odds with the IMF, but recent policy decisions, such as the effective devaluation of the Egyptian pound and increases in energy prices, may open the way for fund support.

No figures are available as yet for the first quarter of 1985, but it seems clear that Egypt is running into balance of payments difficulties because of a reduction in the growth of its main sources of hard currency, namely remittances from the several million Egyptian workers abroad (the Government's inept handling of the currency regulations has almost certainly affected remittance flows), oil, tourism, and Suez Canal dues.

One of the problems for the CBE, as it is for all of Egypt's public sector banks, is to attract well-qualified staff. Salaries paid in the public sector are much lower than those in the private sector.

## Egypt

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	2.6	11.3	5.5	5.0	5.5
Inflation (%)	20.7	10.4	14.8	16.1	18.0
Current acct. balance (US\$m)	-438	-2,126	-2,216	-785	-1,090
Exchange Rate: Pound vs US\$	0.70	0.70	0.70	0.70	0.70

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## SECTION II - CAPITAL MARKETS AND COMPANIES

## FINANCIAL TIMES

Tuesday May 7 1985

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# Right price clinches the deal for Enterprise Oil

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

**BRITAINS** Enterprise Oil has notched up a big success in its first borrowing in the Euromarkets. Thanks largely to a generous annual fee of 15 basis points, its £150m, 6½-year facility has been oversubscribed, and an increase is likely to be announced soon.

The deal has turned out to be a salutary reminder of an old truth so often forgotten in the competitive rate-cutting hurry-burry of the market place - that, if the price is right, a deal will sell. That may sound like stating the obvious, but in fact the Enterprise facility contrasts strongly with some others in the market, and not just because it is oversubscribed.

Not only has Enterprise succeeded in bringing all four main UK clearing banks into its deal, some of whom normally look askance at note issuance facilities, in a market buzzing with rumours of banks pulling out of low-return business altogether, it has also attracted six US banks, besides the arranger, Citicorp.

All this is a rather different story from the tightly-priced \$500m facility for Unilever, which was also oversubscribed, as any deal for an AAA-rated corporation should be. Unilever, whose deal carries an average facility fee of only five basis points, did not manage to attract any US banks other than the original lead managers Bankers Trust and Bank of America. It also only boasts Midland among the UK clearers in its group.

That suggests that even top borrowers have to be careful these days about how far to force the market. And as it reinforces the point, Merrill Lynch now has two deals in the market that follow exactly the same pattern. Its \$200m, eight-year facility for Danish Export Credit which bears a fee of 7½ basis points was still struggling last week, while the \$600m deal for John Deere is heavily oversubscribed and set for substantial increase.

Though Deere is a relatively unattractive credit, its decision to offer a juicy annual fee of 15 basis points for the first three years, rising to 17½ points for the remaining two, has obviously paid off.

The big question now is how this sort of sentiment will affect the \$400m facility in the market for Electricité de France. Though interest from Japanese banks is said to be keen, some others were "winning" in the description of one banker last week, at the low fee of just 6½ basis points.

The point is not so much whether or not the deal gets done - EdF has plenty of clout in the marketplace - but whether it can be increased. Though such suggestions are now being downplayed, EdF originally made little secret of the fact that it would ideally like to raise much more, possibly as much as \$1bn. Without a significant increase the perception of the market itself will hardly be that the deal has been a roaring success.

A succession of public holidays around the world last week means that it may take some time for the full response to EdF to become clear. The holidays also slowed the pace of new mandates last week to a trickle, though the market is looking forward soon to a \$600m credit for the Korea Development Bank and a very finely priced credit for Czechoslovakia of perhaps \$100m.

Interest is keen in the Czech deal, not least because it promises to be a conventional credit. East European borrowers do not like Euronotes because they like to know exactly who is holding their debt and because they feel the Euronote market would leave them vulnerable to any sudden shift in political sentiment that made it hard for them to sell their paper.

But the margin on the deal is likely to be very fine. Czechoslovakia is apparently arguing that it should receive terms comparable to

the Soviet Union, which means initially just ¼ per cent over Libor rising later to ½ per cent. That may be hard for the market to swallow, but some bankers point out that Czechoslovakia is now a very rare name and a borrower which has demonstrated brutal determination to control its foreign debt.

Venezuela meanwhile seems to have turned the corner in its lengthy negotiations over the legal contract for its \$20.75bn public sector debt rescheduling. The last main hurdle has now been resolved. It involved the definition of a scheme whereby excess repayments by some state borrowers would be re-lent to Venezuela to keep net amortisation in line with the overall schedule. Now only a few technical points remain to be cleared up and the completed termsheet is to be presented to the full bankers' advisory committee a week tomorrow.

Subject to the committee's endorsement, this will be followed by an international roadshow during which Venezuela will emphasise its positive economic prospects and progress in facilitating private sector interest payments. The balance of payments is again expected to be in substantial surplus in 1985 after last year's \$4.4bn and total reserves of \$14.5bn are now higher than those of the Bank of England. Some problems remain, but more than \$100m in private sector debt has now been officially registered and interest payments are flowing at a rate of \$1bn a year compared with \$400m in 1984.

St Antonio Carlos Lemgruber, Brazil's central bank governor, is resuming rescheduling talks with commercial banks in New York this week, though much depends on progress in parallel discussions with the IMF. Chilean officials and banks remained locked in talks last week over that country's request for a \$1.05bn credit, which most banks regard as too ambitious.

## Brown Boveri orders up 10%

By John Davies in Frankfurt

**BROWN BOVERI** of West Germany, the electrical concern which is 56 per cent owned by Brown Boveri of Switzerland, expects an increase in sales revenue and orders this year after an encouraging start in the first quarter.

New orders were up 10 per cent in the first three months of this year, while sales revenue increased 8 per cent on the same period last year.

The West German group showed a 3 per cent decline in sales revenue last year to DM 4.82bn (\$1.55bn), although new orders were up 4 per cent at DM 5.38bn.

The group increased its net after-tax profit to DM 26.85m from which a payout of DM 1.5m was made to holders of profit-sharing certificates (Genussscheine) issued last year. Net profit slipped to DM 7m in 1982 but recovered to DM 16m in 1983.

The Mannheim-based parent company is paying an unchanged dividend of DM 6 a share on last year's results.

## U.S. deal for CGE unit

By David Marsh in Paris

**LES CABLES** de Lyon (CDL), a subsidiary of France's nationalised Compagnie Générale d'Electricité electronics and engineering conglomerate, has acquired a U.S. cables company, Colwave Technologies, as part of an increasing move into the American market.

The acquisition of Colwave, which last year had sales of about \$85m and profits of \$20m, has been made by Chester Cablewave Systems, an existing U.S. subsidiary of CDL, and Kabelmetal Electro, which is also in the CGE group.

## INTERNATIONAL BONDS

## Success for UK bank floaters

BY MAGGIE URRY IN LONDON

FOR A WHILE last week it looked as if a new law of gravity had been written for the floating-rate note market - all new deals would trade above par. But perhaps the phenomenon of three issues all flying, in spite of increases for two of them, just reflects the difficulty of pricing new instruments.

In the Eurodollar market the novelty was perpetual floating-rate notes for UK banks which count as primary capital. Lloyds Bank led the way. But in its pricing it seems to have overestimated likely investor resistance to the provision that in the event of Lloyds going into liquidation the holders will rank equally with preference shareholders - well down the list of creditors.

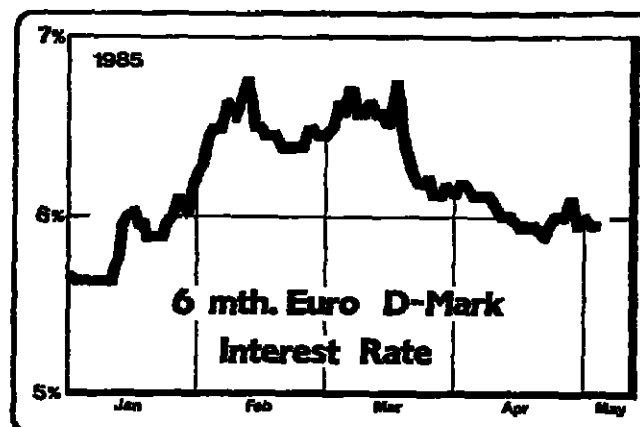
So the ¼ per cent spread over six-month Libor, the coupon will be fixed for the rest of that six-month period at ¼ per cent above the Libor rate for the number of months remaining. So match funders would not be caught out by a downward sloping yield curve.

Earlier in the week, the new D-Mark floating-rate note market scored a victory for the concept of the liberalisation of the West German capital markets. Here too the issues launched traded above par and were still there on Friday evening, though only just so in Dresdner Bank's case.

D-Mark interest rates are certainly volatile enough to make floating-rate note issues an interesting investment to corporate treasurers, for example, who have little in the way of a money market in which to place their surplus cash.

The zero coupon issues for Austria were also meeting good demand from both within Germany and outside. Both tranches were trading inside their selling concessions on Friday.

By contrast to the excitement in floaters and zeros, the fixed-rate bond markets have been dull places. The New York bond market was surprisingly firm given this week's quarterly auctions. But that rise did not translate into an equal



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200m - was trading around its 1½ per cent selling concession.

The secondary market in Swiss franc foreign bond issues was also quiet last week, and the resumption of the dollar's rise is beginning to affect sentiment again. The exception was Sweden's recent 6 per cent 12-year issue, which gained a point last week to 103.

The primary market has fared better as the number of deals appearing has fallen. Terms are still improving on issues, with indicated yields generally being cut on the final pricing.

Commerzbank yesterday launched the second DM zero coupon bond issue. It comes in two tranches, each with a DM 300m redemption value. The first tranche has a 10-year life and is issued at 50, giving a yield to redemption of 7.18. The second portion matures in 15 years and is issued at 33½, giving a yield of 7.46.

The issue is being managed entirely by Commerzbank, and yesterday both tranches were trading around issue price.

The bond markets were quiet yesterday with DM bonds little changed, affected by the weaker currency. Eurodollar bonds gained a fraction in slack trading encouraged by the firmer tone in New York.

EUROMARKET TURNOVER				
Turnover (\$m)				
Primary Market	Straights	Conv	FRN	Other
U.S.\$	2,716.9	1.9	241.5	301.7
Prv	1,390.5	67.3	1,830.0	27.0
Other	1,180.5	175.1	325.9	72.0
Prv	781.0	4.8	163.9	4.1
Secondary Market	U.S.\$	FRN	Other	
U.S.\$	18,537.6	644.1	10,586.8	1,887.1
Prv	20,682.3	714.9	14,543.3	2,107.5
Other	2,175.3	102.5	440.0	1,061.3
Prv	2,928.5	61.4	474.9	1,258.6
Credit	U.S.\$	FRN	Other	
U.S.\$	9,960.4	22,941.8	32,902.3	
Prv	12,680.1	28,680.8	41,940.9	
Other	3,804.5	2,732.4	6,536.9	
Prv	2,918.2	2,740.1	5,658.3	

Week to May 2, 1985 Source: ABDO

This announcement appears as a matter of record only.

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Crédit Commercial de France

Daiwa Europe Limited

Girozentrale und Bank der österreichischen Sparkassen

Richardson Greenfield of Canada (UK) Limited

Kidder, Peabody International

Landesbank Rheinland-Pfalz

McLeod Young Weir International Limited

Mitsui Trust Bank (Europe) S.A.

Nederlandsche Credietbank NV

Nomura International Limited

Österreichische Länderbank

PK Christiana Bank (UK) Limited

Salomon Brothers International Limited

Schweizerische Hypothekenzentralbank

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Verband Schweizerischer Kantonalbanken

M. M. Warburg-Brückmann, Witz &amp; Co.

May, 1985



# More like floating when you're flying



1 Most comfortable place to rest your head.

2 Contoured support for the small of your back.

3 When you tilt back – the seat cushion tilts up.

4 Put your feet up – it's made for it.

## TWA's new Ambassador Class seats are a new experience.

No other business class has seats like these. They're new. The widest business class seats. They're exclusive to TWA's 747 Ambassador Class.

To sit in them is to float. Perfectly relaxed. They curve to support every part of your body. There's even a special leg and foot rest.

Flying to and from America will never be the same again. You can really relax on the flight. Work in comfort. Sleep serenely.

Of course these seats are only six across. There's plenty of leg room and plenty of space all round.

Try the new experience of floating across

the Atlantic. Fly TWA's 747 Ambassador Class. They're being fitted now, most of our 747 fleet will have them by mid June.

But you can always enjoy 6-across seating on all our transatlantic aircraft. Your TWA Main Agent will tell you all about it.



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INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Bond prices surge as short rates tumble

THE U.S. credit markets shrugged off the previous week's pessimism and moved ahead strongly last week. Long-term bond prices rose by up to a point as confidence grew that the Federal Reserve will be forced to act soon to revive flagging economic recovery.

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 weeks ago	12 months ago	Low
Fed Funds (weekly average)	8.57	8.54	8.58	11.77	7.82
Three-month Treasury bills	7.71	7.90	8.13	10.77	7.58
Three-month prime CDs	8.30	8.30	8.25	11.80	6.05
30-day Commercial Paper	8.05	8.05	8.25	11.38	7.25
90-day Commercial Paper	8.10	8.15	8.70	11.40	7.50

U.S. BOND PRICES AND YIELDS (%)

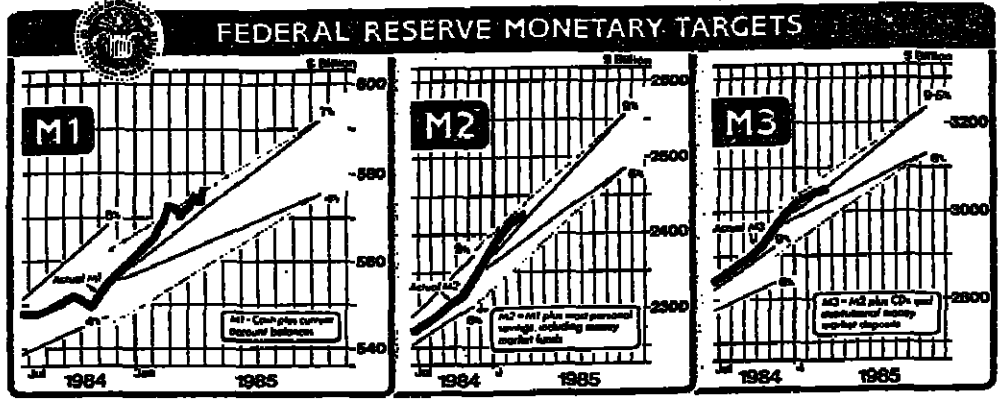
	Last Friday	1 week ago	4 weeks ago	12 months ago	Low
Seven-year Treasury	100 1/4	100 1/4	100 1/4	100 1/4	100 1/4
10-year Treasury	100 1/4	100 1/4	100 1/4	100 1/4	100 1/4
30-year Treasury	100 1/4	100 1/4	100 1/4	100 1/4	100 1/4
New 10-year "A" Financial	N/A	100 1/4	100 1/4	100 1/4	100 1/4
New "AA" Long utility	N/A	100 1/4	100 1/4	100 1/4	100 1/4
New "AA" Long industrial	N/A	100 1/4	100 1/4	100 1/4	100 1/4

Money Supply: In the week ended April 22 M1 rose by \$2.7bn to \$574.2bn.

amount to 8.11 per cent. In the long-term markets, the price of the Treasury 1 1/2 per cent bonds, due 2015, dropped to 97 1/2 pushing its yield above 1 1/2 per cent.

ment figures, which gave the first real clue about how the economy is behaving in the current quarter. The unemployment rate was unchanged at 7.3 per cent but the credit markets took heart from the news that non-farm employment rose by a less than expected 217,000 and employment in manufacturing declined for the third straight month.

seems, are currently focusing their undivided attention on the signals coming out of the economy and appear almost oblivious to the above average growth in the money supply. The feeling is that the Fed will act to loosen its monetary stance if it is convinced that the economy needs an extra push.



After its recent sharp drop the Fed funds rate returned to more normal levels last week and analysts believe that as the tax season passes and the distortions in the financial markets abate, the rate will probably trade around the 8 1/2 per cent level. If it is to go much lower, the discount rate will need to be cut.

While the financial markets were being driven last week by the prospects of further reductions in interest rates, there was a feeling that the Fed would be unlikely to make an overt policy announcement during this week's refinancing operations.

Today sees the sale of \$5bn of three-year notes, followed by \$6.5bn of 10-year notes on Wednesday and \$6bn of 30-year bonds on Thursday. The latter were trading at yields of around 11.30 per cent on a "when issued" basis last Friday and the three-year notes were trading at around 10.15 per cent.

UK GLTS

Money supply fears subdue market

THE MONEY supply figures due out this afternoon provided a good excuse last week, as so often, for the gilt-edged market to do nothing. But the figures are unlikely to give the market any reason to get back to business again.

corporate sector should start to decline. Meanwhile, the argument goes, personal sector borrowing should be dampened by the high level of mortgage rates.

around 30 per cent of the Government broker's sales have been stocks maturing in more than 15 years. Last year the figure was under 7 per cent and in 1983 under 3 per cent.

FT/AIBD INTERNATIONAL BOND SERVICE

Table with multiple columns listing international bonds, including country, bond type, price, and yield. Includes sections for U.S. DOLLAR, EURO, and other currencies.



GPA Group Limited  
US \$135,000,000  
Syndicated Aircraft Financing

BankAmerica Capital Markets Group

Bank of America NT & SA  
Bank of Ireland  
Banque Nationale de Paris  
PKBank International (Luxembourg) S.A.  
International Energy Bank Limited

National Westminster Bank Group  
Bank of Tokyo International Limited  
The First National Bank of Chicago  
Security Pacific National Bank  
Ulster Investment Bank Ltd

Bank of America International Limited

Bank of America NT & SA

Passador most of our June 5-across aircraft.



## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## FRENCH MOTOR GROUP SEEKS FAIRER IMPORTS DEAL

## Renault in truck negotiations with Spain

BY PAUL BETTS IN BARCELONA

RENAULT is in advanced negotiations with the Spanish Government to find a long-term solution to its loss-making truck operations in Spain.

M. Philippe Gras, chairman of Renault Vehicules Industriels (RVI), the French state-owned car group's large truck subsidiary, said that talks with the Spanish authorities were making progress.

Renault has complained of unfair treatment in the Spanish market because of government support for Enasa, the financially troubled Spanish state-controlled truck maker which owns the Pegaso marque.

"We have asked that the same rules of the game apply to all truck makers in Spain," M. Gras said. Renault also wants the Spanish authorities to ease the heavy duties it charges on imports of lorry parts and components.

Renault's truck manufacturing operations in Villaverde, near Madrid, lost Pta 1.76bn (\$9.8m) last year compared with Pta 1.35bn the year before. In recent months, Renault has strongly hinted that it can no

longer sustain losses on this scale. RVI saw its total losses swell to FF 2.99bn (\$305m) last year.

Renault is also seeking to cut 500 jobs out of a total of 2,500 jobs at the Spanish truck plant. The French group has set a deadline of September 27 for its restructuring plan.

M. Gras said that Renault's Spanish truck operations could be profitable next year if agreement on the restructuring with the Spanish Government was reached. Moreover, he believes the current discussion of the sale by the Spanish authorities of a large stake in Enasa to General Motors will help Renault's own efforts to reach an agreement with Madrid. While GM is expected to eventually take over Enasa, the Spanish truck maker is also continuing to negotiate the sale of a stake to Toyota.

While Renault's truck operations in the UK continued to lose money (about FF 90m last year), M. Gras said the situation in Britain, where Renault employs about 1,500 people in truck production, was different

to Spain. The problem in Britain was industrial and commercial and not one of an artificially distorted market.

## MACK SETBACK

Mack Trucks expects reduced earnings for 1985 following a steep dip in net operating profits for the first quarter. These tumbled to \$3.58m from \$6.33m a year earlier. Against earlier predictions of maintained 1985 earnings, Mack now says that profits per share are unlikely to match the \$2.29 of 1984.

M. Gras said Renault's UK truck operations had nonetheless managed to reduce losses by two-thirds during the past three years. Renault is now increasing the product range of its UK

subsidiary. M. Gras confirmed that Renault had no intention of selling its controlling share of Mack Trucks of the U.S. He emphasised that Mack was a key aspect of RVI's general strategy and that he intended to make the most of the commercial, industrial and research and development synergies between Mack and RVI.

M. Gras, the first senior Renault executive to speak openly since M. Georges Besse took over as chairman of the troubled car group, said he was not involved in any discussions of possible mergers with other major truck manufacturers. "If one day we think it is useful to link up with someone else, we won't rule out the possibility," he said, adding: "We don't need such links to make our group viable."

M. Gras also stressed that RVI was not involved in any talks about Mack's future. "We are not selling Mack shares nor do we have any intention of giving up control of Mack,"

However, he said, Renault was talking with other groups

on possible joint ventures in specific components sectors like gearboxes and castings.

M. Gras said his target continued to be RVI's return to the black by 1988. Although the truck subsidiary will continue to lose money in coming years, he said the financial performance was expected to improve steadily.

RVI is seeking to reduce a further 2,500 jobs in France this year which will bring its French workforce down to 22,300 from 24,800 at the end of last year and 26,900 at the end of 1983. However, the French truck market remains extremely depressed.

M. Gras has revised down his estimates for total sales of trucks over 5 tonnes on the domestic market this year from an original estimate of 38,000-39,000 to 34,000-35,000. This compared with sales of 41,000 trucks last year.

RVI currently has a 42 per cent share of the French market and its long-term target is to gain 45 per cent of the domestic market.

## Valeo secures FF 600m package for restructuring

BY OUR PARIS STAFF

VALEO, the troubled French car components group, has finally managed to secure a financial package involving more than FF 600m (\$61m) in fresh funds to support its restructuring of the company's alternator and rotating motors business and investments in other activities.

The first part of the package involves a FF 331m rights issue on a 4-for-5 basis at FF 120 a share. The issue will increase Valeo's capital from FF 300m to FF 484m.

As part of the operation, Lucas-France, the French subsidiary of Lucas Industries of the UK, will convert a FF 50m loan it made to Valeo last year into new shares. This is expected to give Lucas a stake of about 5 per cent in Valeo. Lucas had advanced the loan to Valeo as part of the agreement when last year Valeo acquired Lucas's 50 per cent stake in Ducloux, the French car components company.

Valeo's main shareholders,

including the Suez banking group and the UAP insurance concern, have indicated they would subscribe to their share of the rights issue.

Financial institutions, including Banque Indosuez, Banque Nationale de Paris, Credit Agricole, the Caisse des Depots and Dillion Read, will underwrite the capital increase.

The capital increase will lead to a second refinancing package for Valeo, which lost FF 147m last year. This second package involves:

● A FF 110m bank loan in the form of a "pret participatif".

● Consolidation of FF 180m in short-term debt of Valeo's Ducloux and Paris-Rhone subsidiaries into medium loans.

● A short loan of FF 160m from the Government Industrial Modernisation Fund to finance the development of businesses outside the alternator and rotating motors sector.

● A similar FF 62m soft loan from the Credit National.

## New chief officer named for Amax

By George Milling-Stanley

THE VEXED question of the succession to the leadership of Amax, the U.S. natural resources group, looks to have been settled by the announcement that Mr C. Allen Born has been elected to the board as president and chief operating officer.

These roles were filled by Mr Pierre Gousseland, head of the company, before he became chairman and chief executive officer. Mr Gousseland will be 65 in 1987 and will then have been running Amax for 10 years.

Mr Born came to Amax from the Vancouver-based Placer Development, the international mining group, where he has been chairman, chief executive and president since 1983. Before that he worked for Amax in various capacities from 1967 to 1981, when he left.

"Allen Born's election," says Mr Gousseland, "completes the long process of rebuilding and reorganising the company."

## Doubled earnings from Italian telecom group

BY JAMES BUXTON IN ROME

ITALTEL, the Italian state-controlled telecommunications equipment maker, more than doubled profits for 1984. The company which became profitable in 1983 after two years of heavy losses, made net profits of L25.2bn (\$12.33m) compared with L10m for 1983.

Sales rose by 9.2 per cent to L1.29bn and gross operating margin was up almost 22 per cent at L150.3m. Financial charges amounted to L139.6bn, equivalent to eleven per cent of turnover—a slight reduction on the 1983 percentage.

The company says the relatively modest rise in sales is due to the increasing proportion of electronic as opposed to mechanical products—electronic products having lower added value—and to a slow performance by its telematics subsidiary.

Debt declined by 4.7 per cent, but remains high at L570.4bn. However, the company has managed to reduce its dollar debt from \$174.3m to \$58.9m in 1984—thus cutting foreign exchange exposure.

Italitel drew 35 per cent of its sales revenue from public telecommunications equipment. This activity, Italitel Sit, made profits of L22.9bn and is paying a dividend for the first time since 1973.

Italitel is one of the leaders in the drive to persuade European manufacturers of public switching equipment to standardise at least part of their designs. Plessey of the UK recently formally joined Italitel, Siemens of West Germany and Citelcatel of France in agreeing to standardise parts of exchange hardware.

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
<b>U.S. DOLLARS</b>							
Lucas 51	40	2000	15	8 1/4	100	Monroe Inc.	6.250
Restaurant Sella 51	25	2000	15	8 1/4	100	USA (Europe)	6.250
Xerox Credit Corp. 1	150	1993	4	10 1/4	100	USA (Euro)	10.570
Lloyds Bank (U.K.) 1	750	1995	10	1/4	100	Lloyds Bank Int.	—
Soc. Generale (U.K.) 1	50	1995	10	1/4	100	Societe Generale	—
Standard Chartered (U.K.) 1	400	—	—	3/4	100	CSFB	—
<b>AUSTRALIAN DOLLARS</b>							
Cashwealth RE Inv. 1	40	1990	5	13 1/4	100	Orion Royal Bank	13.250
<b>D-MARKS</b>							
Spain 1	200	1995	10	7 1/4	100	Dresdner Bank	7.525
Chant Finance 1	40	1992	7	7 1/4	100	Commerzbank	7.875
Sweden (U.K.) 1	1500	1997	12	1/4	100	Dresdner Bank	—
Dresdner Bank (U.K.) 1	500	1990	5	1/4	100	Dresdner Bank	7.100
Austria 1	200	1995	10	8	100	Bayrische Vereinsbank	7.400
Austria 1	300	2000	15	8	100	Bayrische Vereinsbank	—
<b>SWISS FRANCES</b>							
Restaurant Sella 1	50	1990	—	1 1/4	100	USA	1.500
Toshiba Exp. & Com. 1	70	1990	—	3 1/4	100	USA	—
Quadrant Dev. Inv. 1	100	1995	—	5 1/4	98 1/4	Crédit Suisse	6.533
Bank Corp. 1	150 max	1995	—	6 1/4	—	Swiss	—
Swiss Bank & Corp. 1	20	1990	—	5 1/4	100	SBC	5.875
Odyssey Ind. Inv. 1	50	1990	—	3 1/4	100	SBC	—
Hypothec. Sec. Paves 1	100	1995	—	6 1/4	100	SBC	—
Nagoya Railway 1	50	1990	—	5 1/4	100	USA	5.700
Toshiba Indus. 1	100	1990	—	1 1/4	100	USA	—
<b>STERLING</b>							
Mitsubishi Fin. (UK) 1	50	1990	5	11	100	Monroe Capital	11.000
<b>YEN</b>							
Goodyear Tire 1	250m	1995	10	7 1/4	100	Deutscher Bank	7.125

\* Not yet priced. † Final terms. \*\* Private placement. ‡ Convertible. † Floating rate note. ‡ With equity warrants. (a) 1/4 over 3m Libor. (b) 1/4 over 3m Libor. (c) 91-day US T-Bill CD equivalent, registered with U.S. SEC. (d) 1/4 over 3m Libor. (e) 1/4 over 3m Libor. (f) 1/4 over 3m Libor. (g) 1/4 over 3m Libor. (h) 1/4 over 3m Libor. (i) 1/4 over 3m Libor. (j) 1/4 over 3m Libor. (k) 1/4 over 3m Libor. (l) 1/4 over 3m Libor. (m) 1/4 over 3m Libor. (n) 1/4 over 3m Libor. (o) 1/4 over 3m Libor. (p) 1/4 over 3m Libor. (q) 1/4 over 3m Libor. (r) 1/4 over 3m Libor. (s) 1/4 over 3m Libor. (t) 1/4 over 3m Libor. (u) 1/4 over 3m Libor. (v) 1/4 over 3m Libor. (w) 1/4 over 3m Libor. (x) 1/4 over 3m Libor. (y) 1/4 over 3m Libor. (z) 1/4 over 3m Libor. (aa) 1/4 over 3m Libor. (ab) 1/4 over 3m Libor. (ac) 1/4 over 3m Libor. (ad) 1/4 over 3m Libor. (ae) 1/4 over 3m Libor. (af) 1/4 over 3m Libor. (ag) 1/4 over 3m Libor. (ah) 1/4 over 3m Libor. (ai) 1/4 over 3m Libor. (aj) 1/4 over 3m Libor. 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# INTL. COMPANIES & FINANCE

## Murdoch set for American TV epic

IF RUPERT MURDOCH pulls off his \$1.5bn deal to acquire a large television station in the U.S. he will have masterminded a coup of potentially tremendous proportions.

In one fell swoop the Australian newspaper magnate will have satisfied his dream to break into the American TV industry, established the base for the only large-scale, fully-integrated television entertainment group in the country and created a powerful rival to the nation's three major broadcasting networks.

Only six weeks ago Mr Murdoch paid \$250m for 50 per cent of Twentieth Century Fox Hollywood film group, a deal which put him into partnership with Mr Marvin Davis, one of the nation's richest and most colourful entrepreneurs.

While details of Mr Murdoch's latest venture remain sketchy, it looks as though he will now use the film group as a springboard for his TV ambitions.

Metromedia, the New Jersey-based broadcasting concern would sell six major TV stations to Twentieth Century and its seventh TV station in Boston would end up in the hands of the Hearst publishing group.

Metromedia was taken private by its 70-year-old chairman Mr John Kluge in a \$1.13bn leveraged buy-out last year.

The six TV stations acquired by Mr Murdoch and Fox represent the largest group of independent non-network stations in the nation reaching nearly one in five of the more than 80m homes with television in the U.S.

Ownership of the stations in New York, Los Angeles, Chicago, Washington, Fort Worth and Houston, together with the movie studio would create the potential for a vertically integrated production and broadcasting empire.

What is more, Mr Murdoch's News America group already owns satellite communications facilities acquired as part of an earlier, now aborted, plan to enter the satellite-to-home direct broadcast (DBS) in-

aggressive revamping of failing newspaper titles. Using this strategy he has secured leading titles in New York, Boston and Chicago and recently spent \$350m to buy a group of 12 technical and travel magazines from Ziff-Davis Publishing.

What the latest proposed deal shows is that Mr Murdoch, who has offered to become an American citizen, is intent upon concentrating his burgeoning \$2bn-plus communications empire even more intensively in the

wondering whether he is overstretching his managerial resources.

Mr Murdoch, 54, described himself as a "sinister force" and "an old pirate," is known very much as a hands-on manager, ready to tear a front page apart on deadline. Marrying those skills with the type of managerial expertise which helped men like Mr William Paley put together CBS, is a tall order.

Equally, the combination of Mr Murdoch's individualistic style with that of Mr Marvin Davis, who also boasts a reputation as a hard-driving entrepreneur, could provoke some fireworks.

**Terry Dodsworth and Paul Taylor discuss the scenario for an Australian newspaper magnate's attempt to make his dream of breaking into the U.S. television industry come true and look at Wall Street's reaction to a strategy that carries enormous risks**

These facilities could be used, together with the TV stations, to form the nucleus of a nationwide television network to rival the big three of CBS, NBC and ABC which have dominated the industry since the war.

Exactly how Mr Murdoch would operate in the fiercely competitive U.S. TV market remains the subject of much Wall Street speculation. Although he has put together an international television operation he is best known in the U.S. as a press baron—as ruthless as Citizen Kane in his

U.S.—even though the authorities may force him to sell-off some of his newspaper titles. Indeed the deal could also necessitate the divestment of some of his Australian television interests, part of a worldwide group which also includes Fleet Street's Sun and Times titles.

The risks in such a strategy are also enormous. Aside from the question of how Mr Murdoch will finance the TV deal, he has been moving so rapidly recently, extending his empire even into China—where he said last week he plans to build a \$40m international hotel and news media centre—that Wall Street is left

He became a movie mogul in 1981 paying \$725m for Fox together with Marc Rich, the Swiss-based financier. After buying-out the fugitive Mr Rich last year, Mr Davis has restructured Fox's finances in an effort to revitalise what is one of Hollywood's least successful studios.

Recently Fox has suffered from a sharp fall in its network television production, one of the most profitable lines for Hollywood at present. Bringing Mr Murdoch—and its own captive television stations—aboard could prove a first step in correcting this weakness.

## Allis-Chalmers deeper in red for first quarter

BY WILLIAM HALL IN NEW YORK

ALLIS-CHALMERS, the struggling U.S. farm equipment and industrial machinery group, has reported a sharply higher first-quarter net loss of \$51.6m but says it is making progress in restructuring its debt.

The Milwaukee-based group, which last made a profit in the first quarter of 1982, lost \$3.7m a share in the first quarter of 1985 compared with \$1.31 a share in the same period of last year.

The group also announced that directors had approved the already announced sale of the Allis-Chalmers agricultural equipment business, including the group's credit corporation, to a subsidiary of Klöckner-Humboldt-Deutz of West Germany.

Allis-Chalmers has already estimated that its losses between January 1 1985 and the end of the fiscal year in May would be \$30m to \$40m, a total of \$10m of the total is included in the first quarter. It also

said earlier that it expected to take a \$70m write-off on the sale in the current year.

The group's sales in the latest three months fell to \$246.5m from \$330.5m in the same period of last year.

Allis-Chalmers says general agreement has been reached on its long-awaited refinancing plan with designated lender representatives, subject to ratification by the full lender group. The plan includes converting a portion of the private debt to equity, retiring a portion and reacquiring the remainder.

Full implementation of the plan will require shareholder approval to authorise additional common shares.

The present financing agreement expires at the end of May, and Allis-Chalmers says that "any delay in reaching a final agreement is an essential aspect of the company's programme for ultimate return to profitability."

## Nissan to invest in Taiwan motor group

BY BOB KING IN TAIPEI

YUELOONG Motor Company of Taiwan plans to begin exports of automotive spare parts and eventually finished cars once the Government has approved a 25 per cent equity investment by Nissan Motors of Japan.

Mr Michael Chen, vice-president of China Motors Corporation, a Yueloong affiliate, said it had not yet been decided whether Nissan's investment would take the form of share purchases on the Taiwan stock exchange or a simple capital expansion.

Mr Chen said the investment would give Nissan another export gateway for small cars to the U.S. A newly completed Yueloong design centre in Taiwan would support Nissan's own engineering. Spare parts exports, the joint venture's first phase, would be mostly to the Asian region.

Yueloong has been in technical co-operation with Nissan for almost 30 years, but the proposed joint venture marks the first investment in the company by Nissan.

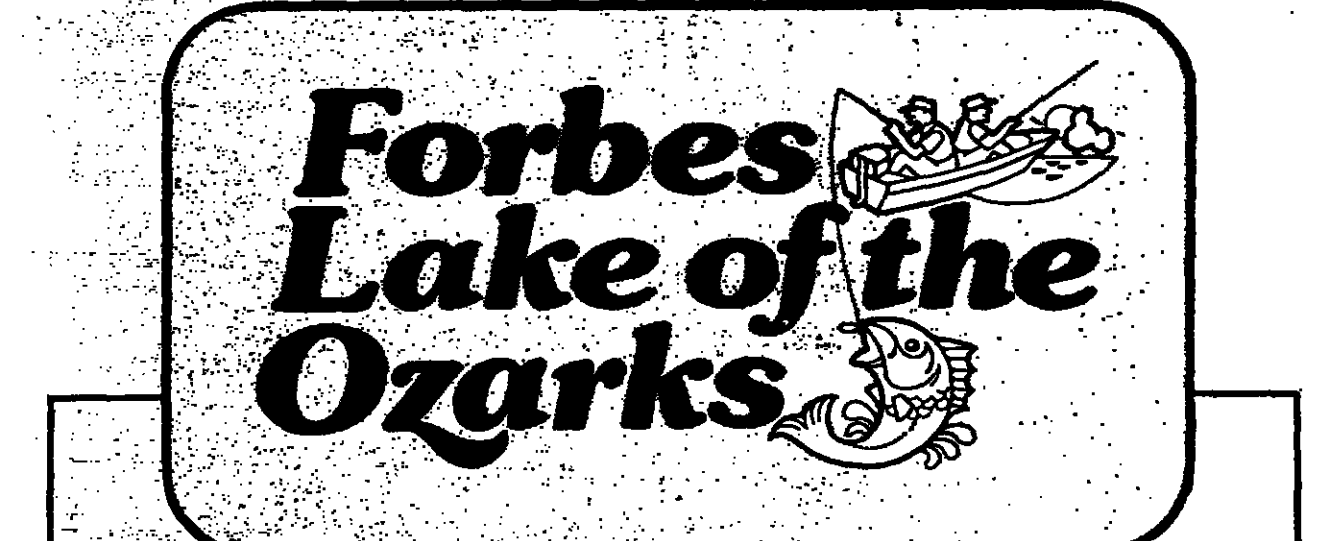
## Alitalia strongly ahead for 1984

ALITALIA, the Italian state airline, more than doubled operating profits last year, to 1,229.6m (\$111.6m), writes *Almea* Friedman in Rome.

After financial charges and taking into account the adverse effects of the rise in the dollar

against the lira, the airline's pre-tax profit for 1984 came to 1,122.1m (\$95m), which is more than five times the size of 1983's pre-tax return.

Alitalia said its strong performance was the result of a continuing restructuring



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## NOTICE OF REDEMPTION BY THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

To the Holders of Debentures U.S. \$40,000,000  
14% Debentures due June 15, 1997  
Authorized by By-Law Number 75 of 1982

Amount Redeemable June 15, 1985 - U.S. \$2,756,000

NOTICE IS HEREBY GIVEN that The Regional Municipality of Ottawa-Carleton will redeem on June 15, 1985 Debentures bearing the numbers listed below at 100% of the principal amount of each Debenture plus accrued interest to the redemption date.

### U.S. \$1,000 COUPON BEARING DEBENTURES

00001	02002	04018	05929	08003	09977	12224	14710	16841	18959	21071	23353	25358	27495	29585	31433	33462	35723	38049
00006	02016	04027	05930	08014	10024	12246	14718	16844	19009	21088	23369	25360	27500	29590	31460	33477	35736	38065
00025	02035	04054	05932	08088	10035	12299	14721	16866	19013	21096	23364	25361	27511	29593	31461	33490	35767	38095
00033	02041	04092	05940	08108	10057	12320	14729	16886	19014	21118	23370	25365	27514	29596	31463	33492	35778	38107
00064	02049	04117	05946	08113	10076	12322	14740	16912	19019	21134	23378	25414	27566	29604	31484	33503	35818	38108
00083	02053	04131	05956	08154	10077	12326	14746	16943	19035	21148	23381	25432	27610	29617	31487	33517	35827	38119
00110	02057	04136	05984	08157	10087	12331	14757	16940	19036	21175	23386	25447	27624	29629	31498	33527	35794	38131
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00146	02073	04158	06012	08211	10101	12356	14773	16968	19066	21200	23400	25460	27627	29648	31504	33541	35806	38165
00157	02085	04170	06023	08228	10143	12381	14787	16996	19068	21211	23411	25471	27627	29651	31508	33555	35830	38168
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00282	02295	04316	06133	08399	10343	12562	14941	17161	19256	21422	23463	25506	27732	29695	31570	33635	35884	38299
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00308	02420	04389	06193	08432	10373	12587	14965	17185	19310	21472	23466	25520	27736	29699	31574	33639	35888	38301
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00606	02628	04653	06640	08704	10736	13005	15313	17559	19562	21730	23506	25553	27761	29724	31600	33665	35913	38325
00641	02636	04665	06659	08718	10747	13014	15315	17570	19563	21731	23514	25554	27762	29725	31601	33666	35914	38326
00642	02637	04666	06660	08719	10748	13015	15316	17571	19564	21732	23515	25555	27763	29726	31602	33667	35915	38327
00663	02643	04684	06697	08737	10777	13062	15334	17633	19591	21768	23525	25565	27765	29728	31604	33669	35917	38329
00665	02651	04681	06592	08739	10792	13079	15335	17644	19616	21808	23521	25515	27766	29729	31605	33670	35918	38330
00672	02684	04700	06600	08748	10808	13080	15339	17659	19619	21816	23527	25519	27767	29730	31606	33671	35919	38331
00682	02705	04708	06614	08767	10826	13129	15345	17682	19628	21824	23529	25520	27768	29731	31607	33672	35920	38332
00683	02706	04709	06615	08768	10827	13130	15346	17683	19629	21825	23530	25521	27769	29732	31608	33673	35921	38333
00705	02722	04725	06633	08783	10827	13222	15383	17749	19682	21857	23591	25565	27785	29736	31612	33677	35925	38335
00710	02739	04730	06672	08814	10841	13238	15401	17757	19685	21859	23594	25567	27787	29738	31614	33679	35927	38337
00715	02745	04737	06680	08806	10852	13255	15417	17760	19689	21862	23601	25569	27788	29739	31615	33680	35928	38338
00716	02746	04738	06681	08807	10853	13256	15418	17761	19690	21863	23602	25570	27789	29740	31616	33681	35929	38339
00717	02747	04739	06682	08808	10854	13257	15419	17762	19691	21864	23603	25571	27790	29741	31617	33682	35930	38340
00731	02764	04751	06722	08822	10882	13294	15461	17793	19726	21945	23645	25589	27791	29742	31618	33683	35931	38341
00737	02778	04760	06733	08833	10912	13335	15469	17798	19734	21959	23647	25591	27793	29744	31620	33685	35933	38343
00748	02789	04840	06746	08836	10916	13337	15505	17804	19745	21972	23649	25593	27795	29746	31622	33687	35935	38345
00749	02790	04841	06747	08837	10917	13338	15506	17805	19746	21973	23650	25594	27796	29747	31623	33688	35936	38346
00767	02808	04858	06764	08859	10930	13353	15533	17813	19761	21988	23656	25598	27799	29750	31626	33691	35939	38349
00768	02809	04859	06765	08860	10931	13354	15534	17814	19762	21989	23657	25599	27800	29751	31627	33692	35940	38350
00769	02810	04860	06766	08861	10932	13355	15535	17815	19763	21990	23658	25600	27801	29752	31628	33693	35941	38351
00775	02860	04876	06771	08894	11003	13382	15543	17866	19784	21989	23658	25600	27801	29752	31628</			



## UK COMPANY NEWS

## Saul Steinberg acquires 5% holding in Vickers

BY STEFAN WAGSTYL

MR SAUL STEINBERG, the controversial Wall Street financier, has taken an interest in the shares of Vickers, the engineering group, which makes military tanks and Rolls-Royce cars.

Mr Steinberg's Reliance Financial Services has purchased a 5.5 per cent shareholding in the company, Reliance said yesterday that the shares have been acquired for "investment purposes", but added that further purchases were "entirely possible".

Mr Steinberg has the reputation of being one of Wall Street's most aggressive financiers. His first predatory move was in 1969, when at the age of 29, he made an astonishing (though unsuccessful) bid for Chemical Bank, the seventh largest U.S. bank.

Last year, Mr Steinberg made a \$32m profit in a "greenmail" operation against Walt Disney Productions, when the entertainment group bought in for \$297m a stake Reliance had built up in the market for \$24m. In addition Disney paid Reliance \$25m expenses.

Mr Steinberg is also no

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

Mr Steinberg said last night that it had learnt of the Reliance stake on Friday. "We are happy with people investing in Vickers. We will be interested to see what happens next," the company said. Vickers shares on Friday

closed up at a high of 276p. The company is in the last stages of a restructuring programme which has involved \$20m in sales. Following two years of decline, pre-tax profits last year recovered strongly to \$28.5m on sales of \$208m.

Vickers denied reports that it planned a stock exchange flotation for Rolls Royce Motors, which it acquired in 1980.

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## Bio-Isolates loss rises to £356,000

Figures for the 18 months to the end of 1984 at Bio-Isolates (Holdings) show increased losses of £356,000 before tax, compared with £234,000 for the previous 12 month period. Turnover of this group which isolates valuable proteins moved up from £102,000 to £14m.

Modifications at a plant in Mitchelstown, Eire, have prevented full-scale production there, which the directors now expect by the end of June 1985. Losses incurred to date have significantly weakened the financial position of the group and the auditors report on the accounts has been qualified in this respect.

They say that further financing will be required to rectify the position. Talks have taken place with the owners of Le Sueur Cheese in Minnesota in the U.S., where a joint project is underway and they are willing to make an equity investment of up to £2m in Bio-Isolates.

For the period under review the directors point out that by far the bulk of protein produced for sale was from the group's own small-scale production plant at Carmarthen. Shares are traded on the LSE.

Shares are traded on the LSE.

## TMG Group

From a turnover of £121.88m, up from £119.88m, the TMG Group, Dublin-based iron founder, raised its profits before tax from £139,000 to £170,000 (£157,000). Tax took £150,000 (£158,000) and earnings per 25p share amounted to 27.2p (11.2p).

## Readicut

Readicut International, through subsidiary Firth Furnishings, has acquired for £450,000 the business and certain assets of Textile Bonding, a subsidiary of Tootal Group.

## Woolworth in £90,000 payout

THE Woolworth Holdings' accounts for the year 1984-85 disclose that payments of £90,000 were made during the year to a director for loss of office.

Mr Paul Guy, the group finance director, resigned from the group in February after less than six months. Woolworth said at the time that Mr Guy had left for personal reasons. Mr Geoff Miley, the group managing director, said that there had been no disagreement over policy or financial matters.

Mr Guy had been deputy chairman of the group's electrical stores chain, acquired by Woolworth last year in an £188m deal.

Excluding the compensation payment total directors' emoluments during the year went up from £238,000 to £298,000. Chairman Mr John Beckett was paid an unchanged £114,000 but there were seven directors in the £80,000 to £95,000 pay bracket compared with only two in the previous year.

Woolworth reported a jump from £29.4m to £36.8m in trading profits in the 53 weeks ended February 2, 1985, the banks making a higher B & Q profit and the first time inclusion of Comet. Woolworth showed a retail loss of £1.1m compared with a profit of £7.6m, after charging rents.

Mr Beckett says in his annual statement that he is confident 1985 will see further progress for the group. He is looking for further expansion in B & Q and Comet and a start to the realisation of the potential in F. W. Woolworth to justify the resources it employs.

## Bowater

Bowater said that it paid "little or no regard" to speculation that Hanson Trust might bid for the company.

Losses incurred to date have significantly weakened the financial position of the group and the auditors report on the accounts has been qualified in this respect.

They say that further financing will be required to rectify the position. Talks have taken place with the owners of Le Sueur Cheese in Minnesota in the U.S., where a joint project is underway and they are willing to make an equity investment of up to £2m in Bio-Isolates.

For the period under review the directors point out that by far the bulk of protein produced for sale was from the group's own small-scale production plant at Carmarthen. Shares are traded on the LSE.

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## PUBLIC RELATIONS

The Financial Times is publishing a survey on Public Relations on 30th May, to coincide with the FRCA conference. For an editorial synopsis and advertisement rates, please contact Tim Thompson.

Financial Times,  
Bracken House,  
10 Cannon Street,  
London EC4P 4BY  
01-248 8000, Ext 3389

A new booklet published by the Financial Times

CGT

## CAPITAL GAINS THE KEY FIGURES FOR CALCULATING YOUR TAX

If you own unit trusts, shares, bonds, a second home, gold coins or other assets you bought before April 1982, the reforms in Capital Gains Tax announced in the Budget in March could save you hundreds or even thousands of pounds.

However, to take advantage of the new rules, you need to know the value of your assets on March 31, 1982 - and also, if you've been holding on for long enough, on April 6, 1965, when CGT was introduced.

The Financial Times is publishing a booklet, Capital Gains - The Key Figures for Calculating your Tax, listing all the key prices for March 31, 1982, and April 6, 1965, as they appeared in the Financial Times. It also contains an explanation of the Budgetary reforms and how to make the best use of them to reduce or eliminate your CGT liabilities.

Copies of the booklet, price £4.50 each including postage and packing, are available from:

Nicola Banham, Publicity Department A,  
Financial Times, 10 Cannon Street,  
London EC4P 4BY.

Telephone: 01-248 8000 ext 4895.

Cheques should be made payable to the Financial Times and should accompany your order.

## IMPORTANT NOTICE CONCERNING

## Post- och Kreditbanken, PKBanken

(Incorporated in the Kingdom of Sweden)

## 12 1/2% Subordinated Notes due 1991

Payable as to 20 per cent. on 28th November, 1984 and as to 80 per cent. on 28th May, 1985

Interested persons are hereby reminded that payment of the second and final instalment of the purchase price of the above-mentioned 12 1/2% Notes due 1991 (the "Notes") of Post- och Kreditbanken, PKBanken ("PKBanken"), such instalment being an amount equal to 80% of the principal amount (or U.S. \$4,000 per Note), may be made on May 28, 1985 by persons shown in the records of Morgan Guaranty Trust Company of New York, as Common Depositary for the Euro-clear System, or CEDEL S.A. as being entitled to such Notes.

Payment of such final instalment should be made by participants authorising Euro-clear and/or CEDEL to debit their cash accounts. Such authorisation must be received by the clearing system not later than the opening of business on May 27, 1985. No payment made after May 28, 1985 shall be accepted unless accompanied by a further payment representing interest accrued at the rate of 12 1/2% per annum on the amount of such payment calculated from and including May 28, 1985 to but excluding the date of actual payment on the basis of a 360 day year consisting of 12 months of 30 days each and also, in the case of payment after November 28, 1985, an additional amount equal to any interest paid to the relevant Entitled Account Holder.

No person is under any obligation to pay or cause to be paid the final instalment of the issue price.

Persons entitled to the Notes upon payment of the final instalment are reminded that on June 12, 1985 PKBanken shall cease to have an obligation to accept payment of such final instalment, and in the event of a failure to make payment of the final instalment in respect of any Note on or before June 12, 1985 PKBanken will be entitled to retain the first instalment of the issue price previously paid for such Note and will have no obligation to repay such instalment or to pay interest thereon for any period prior to, including or subsequent to June 12, 1985.

May 7, 1985  
By: Citibank, N.A.  
London,  
Principal Paying Agent (CSSI Dept).

CITIBANK

## Notice to Bondholders

## Pearson plc

(Incorporated in England and Wales)

## £100,000,000 Zero Coupon Bonds 1992

Notice is hereby given to Bondholders that the Paying Agents (as defined in the Trust Deed relating to the above issue) for the above Bonds will be Bankers Trust Company as Principal Paying Agent and Swiss Bank Corporation, Banque Indosuez Luxembourg and Banque de Bruxelles S.A. (in each case at the address set out hereafter) and not at the Listing Particulars relating to the issue dated 12 April 1985.

Further particulars relating to the above issue may be found in the Bond Statistical Service.

Principal Paying Agent  
Bankers Trust Company  
Delaware House  
69 Old Broad Street  
London EC2P 2EE

Swiss Bank Corporation  
1 Aeschenvorstadt  
CH-4002 Basel  
Switzerland

Bankers Trust Company  
25 Allen Schaffer  
2500 Luxembourg

Bankers Trust Company  
Rue des Colonies 40  
1000 Brussels  
Belgium

7 May 1985

## EQUITIES

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## Problems still to iron out

**YOUR OFFICE BASE — MADRID  
P.O. CASTELLANA. 141**

- Prestigious office building
- Legal domicile or business address
- Luxury executive and conference rooms
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- Export marketing and legal assistance

**LEXINGTON**



## Business Opportunities

**INTEREST IN PROFITABLE LONG-ESTABLISHED CHILDREN'S WEAR**  
Distributors with a reputation for quality and reliability are sought for the sale of a well established children's wear business. The business has a long history of success and is now seeking a new owner who can take it to the next level. The business is profitable and has a strong customer base. The owner is looking for a buyer who is experienced in the retail sector and has a good understanding of the children's wear market. The business is located in a prime area and has a large turnover. The owner is offering the business for sale at a very attractive price. The business is a real opportunity for someone who is looking for a profitable and established business to buy.

**PRODUCTION CAPACITY AVAILABLE**  
Large scale production capacity available for hire. The facility is located in a prime area and has a large turnover. The owner is offering the facility for hire at a very attractive price. The facility is a real opportunity for someone who is looking for a profitable and established business to buy.

**WIRELINE LOGGING**  
We are designers, manufacturers, sellers and users of ultra slim diameter wireline logging systems. The systems are used for logging and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**FIBEROPTIC DATACOM**  
We are designers, manufacturers, sellers and users of ultra slim diameter fiberoptic datacom systems. The systems are used for datacom and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**HONG KONG**  
We are designers, manufacturers, sellers and users of ultra slim diameter hong kong systems. The systems are used for hong kong and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**LEADING FOOTWEAR DESIGNER COMPANY**  
We are designers, manufacturers, sellers and users of ultra slim diameter leading footwear designer company systems. The systems are used for leading footwear designer company and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**FINANCE COMPANY INVITES EQUITY PARTICIPATION**  
We are designers, manufacturers, sellers and users of ultra slim diameter finance company systems. The systems are used for finance company and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**ACQUISITION & VENTURE CAPITAL SPECIALIST**  
We are designers, manufacturers, sellers and users of ultra slim diameter acquisition & venture capital specialist systems. The systems are used for acquisition & venture capital specialist and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**VENTURE PARTNERS WANTED FOR INVESTMENT IN S. CALIFORNIA**  
We are designers, manufacturers, sellers and users of ultra slim diameter venture partners wanted for investment in s. california systems. The systems are used for venture partners wanted for investment in s. california and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**INVEST TWO WEEKS IN BETTER HEALTH**  
We are designers, manufacturers, sellers and users of ultra slim diameter invest two weeks in better health systems. The systems are used for invest two weeks in better health and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**CAPITAL VENTURE**  
We are designers, manufacturers, sellers and users of ultra slim diameter capital venture systems. The systems are used for capital venture and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**Plant & Machinery**  
We are designers, manufacturers, sellers and users of ultra slim diameter plant & machinery systems. The systems are used for plant & machinery and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**GENERATING SETS FOR SALE**  
We are designers, manufacturers, sellers and users of ultra slim diameter generating sets for sale systems. The systems are used for generating sets for sale and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

**WOODLANDS GENERATORS**  
We are designers, manufacturers, sellers and users of ultra slim diameter woodlands generators systems. The systems are used for woodlands generators and are highly reliable. The owner is offering the systems for sale at a very attractive price. The systems are a real opportunity for someone who is looking for a profitable and established business to buy.

## Business Services

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## Businesses Wanted

**CERAMICS COMPANIES WANTED**

Our client, a United Kingdom quoted company engaged in the manufacture of domestic, industrial and technical ceramic products, seeks to expand its business by the acquisition of suitable companies.

Such companies will be engaged in the manufacture or distribution of technical or consumer based ceramic products and will currently be generating sales in excess of £1 million.

Interested parties should reply in the strictest confidence to the address below quoting reference SCU/WSS

**Hill Samuel & Co. Limited**  
100 Wood Street, London EC2P 2AJ

**Employment Agencies**

Recruitment Advertising Agency  
CORPORATE GRAPHIC DESIGN COMPANY

We are one of the largest independent financial recruitment agencies based in London.

We now wish to acquire throughout the U.K. (including London) specialist employment agencies and, in London, a Recruitment Advertising Agency, and a corporate graphic design company.

Principals only should reply to Box G10734, Financial Times, 10 Cannon Street, London EC4P 4BY.

**PUMP MANUFACTURERS AND DISTRIBUTION**

A company whose business is the manufacture and distribution of pumps is seeking to extend its activities by acquisition or the formation of a joint venture.

The product range has been the subject of engineering improvement and there is an ongoing development programme in situ.

All replies will of course be treated in the strictest confidence.

Write Box G10733, Financial Times, 10 Cannon Street, London EC4P 4BY.

**IMPORT/MARKETING/DISTRIBUTION**

We are an international company and are looking to acquire either by outright purchase or majority equity purchase a successful importing/marketing and distribution business specialising in household products, fancy goods, glassware, stationery, tools or any other business in related consumer durable fields. The business must have an exciting turnover of at least £2 million and must have good management which will be retained.

Write Box G10720, Financial Times, 10 Cannon Street, London EC4P 4BY.

**MANUFACTURING/ENGINEERING COMPANIES WANTED**

Our client, a substantial private British limited company intends to expand its business through acquisition of companies and product lines. We wish to hear from principals who seek to dispose of a product line or business, possibly in a loss-making situation, in the manufacturing/engineering sector of industry.

Please reply in strictest confidence to:  
R. E. Rowledge Esq, H. J. Anderson & Company  
Griffin House, 18 Ludgate Hill, Birmingham B3 1DW

## Businesses For Sale

On the instruction of D. H. Slade Esq.

**FOR SALE**

THE BUSINESS ASSETS COMPRISING  
PLANT, MACHINERY & EQUIPMENT  
LAND & BUILDINGS OF  
GLASS REINFORCED CONCRETE (GRC) LTD.  
(in liquidation)

Manufacturers of promenade tiles and Northwich board  
SITUATED AT WINCHAM LANE, WINCHAM  
NR. NORTHWICH, CHESHIRE

**Grimley & son**  
061-8347187

**ANODISING & ELECTROPLATING**

A company situated in the West Midlands with a turnover in excess of £500,000 and an excellent profit record is offered for sale as the controlling shareholder is contemplating retirement. The business is mainly high volume anodising, chrome and nickel plating, with supporting engineering facilities. The company has a high reputation for quality and delivery and could interest a similar organisation seeking to expand.

Write Box G10735, Financial Times, 10 Cannon Street, London EC4P 4BY.

**Turnover £300,000**

Long established company based in Leicester specialising in the manufacture of sectional coldrooms and insulated cabinets for mortuaries, bloodbanks and food storage is available for transfer to new ownership. The company operates from modern premises with a loyal staff of 16, utilising modern plant and machinery for timber and sheet metal work. Since the business does not fit with our long term development strategy we wish to ensure continuity under new ownership.

Further information from: Valer P. G. Halliwell, Riverside House, Cornway Road, Chislehurst, London W4 2SL

**FOR SALE**

**SPECIALIST CONCRETE (GRC) MANUFACTURER**

Glass reinforced concrete manufacturer seeks purchaser for whole or part of company. Specialist and proprietary products, UK and export business with significant growth potential.

YORK BUSINESS DEVELOPMENT CONSULTANTS  
Silver Birch, Beaumont Hill, Itchingfield, West Sussex BN13 7NY

**HUNTLEY & PARTNERS**

Have to National Trust and to the great scenic beauty. South 16th century property with wealth of character and with large inventory of 16th century furniture, tapestries, paintings, etc. 7 and 8 acres, 1/2 acre garden, large oak park, 1000 sq. ft. of land, with high quality stone walls, etc. (Genuine house and estate also available). F.S.

46 Mulvey Plain Plymouth PL4 6LE Tel: Plymouth (0752) 26231

**FINANCE COMPANY WANTED**

Up to £5 million capital available for the purchase of all or a substantial part of a UK Finance Company with a sound diversified book of commercial loans and higher purchase licensed deposit taker preferred.

Write Box G10712, Financial Times, 10 Cannon St, London EC4P 4BY

**BANKING SERVICES WANTED**

**SUBSTANTIAL CUSTOMER AVAILABLE**

International securities firm requires London-based bank, trust company, or share registrar to hold physical custody of UK and foreign share certificates, register same in a nominee name, and to receive, deliver, and transfer share certificates as instructed. Accurate recordkeeping, high degree of security and prompt service essential. Will pay substantial fees to reputable, experienced financial institution that can provide these services with efficiency. Please write in confidence to: Box BC4M-8486, London WC1M 3XK

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Involved in insurance broking, life assurance, unit trust advisory services, pensions and benefit consultancy, assets accumulation, Commission/fee income between £250,000 to £5m per annum considered.

Write Box G10720, Financial Times, 10 Cannon St, London EC4P 4BY

**PROPERTY COMPANY**

Fast expanding PLC wishes to increase its property activities by company acquisition either for cash or shares.

Reply to The Chairman  
Box G10728, Financial Times, 10 Cannon St, London EC4P 4BY

**RAFFETY BUCKLAND**

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**MARLOWES RESTAURANT STRATFORD UPON AVON**

Centrally positioned, 150 covers, leading bedrooms, long lease, fully fitted

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**SOUTH DEVON UPVC WINDOW COMPANY**

As going concern with high turnover, some freehold property, vehicle fleet, etc. Manufacturer, installer and supplier to the trade with large order book.

Genuine reason for sale

Enquiries to Box G10724, Financial Times, 10 Cannon St, London EC4P 4BY

**PROGRESSIVE WELL ESTABLISHED COMPANY**

In leisure and import-export industry for sale due to impending retirement of managing director. Turnover approximately £200,000

Unexpired tenancy over £200,000

Write Box G10737, Financial Times, 10 Cannon St, London EC4P 4BY

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Successful engineering group with policy of expansion by acquisition seeks profitable company with their own products in the range of £1m to £3m turnover

Principals only please reply in confidence to:  
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The assets and business of a well established iron foundry with turnover of approximately £4.5m per annum is offered for sale as a going concern

Assets comprise:  
\* freehold premises in Wolverhampton  
\* grey iron foundry plant

Further information may be obtained from:  
R.J. Dickens FCA  
Peat, Marwick, Mitchell & Co.,  
45 Church Street,  
Birmingham B3 2DL  
Telephone: (021) 2331666 Telex: 337774

## PEAT MARWICK

## Manufacturer of Wind Surfboards Nottingham

Offers are invited for the above business which is a leading manufacturer of wind surfboards. The company occupies leasehold premises in Nottingham. Turnover 1984 £800,000 approx. and currently employing 20 personnel.

For further information please contact:  
John Collins, Alan Lovett or  
Jeremy Wisker, Spicer and Pegler,  
Clumber Avenue, Nottingham  
NG5 1AH  
Tel: (0602) 607131

## Spicer and Pegler & Partners

## Engineering Group

The Joint Receivers offer for sale the goodwill and assets of a group of engineering companies operating from long leasehold factory and office premises near Warrington. The group, with a current annual turnover of approximately £1.3 million, is involved in:

- The manufacture of abrasive blast-cleaning equipment and spares;
- The sale, 24-hour service, maintenance and installation of industrial boiler plants, steam and hot water, all fuels. Design service;
- The sale of engineering products for the heating, ventilating, air conditioning and sheet metal industries, also hydraulic and pneumatic pumping and control equipment and thermometry.

For further information please contact: The Joint Receivers, Allan Griffiths and David Rowlands, Thornton Baker, Brazenose House, Brazenose Street, Manchester M2 8AX. Tel: 061-834 5414. Telex: 687235.

## Thornton Baker

## FERNDALE MARSHALL (PRINTERS) LIMITED

By Order of the Joint Liquidators:  
P. R. Copp, FCA, FCCA  
B. W. McLachlan, FCA

(In Liquidation)

**FOR SALE**

The business of a Manchester Printer. Turnover in Audited Accounts to 31 December 1983 of £1.7m. Net Assets in Audited Accounts at 31 December 1983 of £422,000 including Freehold Property. The company has the benefit of an advanced order book.

For further details:  
P. R. Copp, FCA, FCCA,  
Ref. P.5, Sax Haywards, 8 Baker Street, London W1M 1DA.  
Telephone: 01-486 5888.

**SHOPFITTING/JOINERY AND BUILDING COMPANY FOR SALE WITH FREEHOLD**

PRICE £195,000

Workshop 5,000 sq ft approx. and Offices 2,000 sq ft approx.

To run a long established company specialising in the manufacture of high class joinery (hotels, restaurants, etc) Shopfittings and Building Contracts

Management available

For full details please contact:  
Box G10729, Financial Times, 10 Cannon St, London EC4P 4BY

**FITTED KITCHEN MANUFACTURER**

Southern based  
TURNOVER £1M

Suit builder requiring own factory

Write Box G10736, Financial Times, 10 Cannon St, London EC4P 4BY

**JOINERY FACTORY**

5,000 square feet approx WEST MIDDLESEX

Fully equipped with machines and tractor plant

Lease at low rent to be negotiated

Premium required for machines, etc

Write Box G10730, Financial Times, 10 Cannon St, London EC4P 4BY

**BUILDERS MERCHANTS AND HOME IMPROVEMENT ESTABLISHMENT**

Excellent situated large premises in busy Black Country highly populated area seeks to strengthen and expand with a national company desired. 20 years experience in this area. Proven successful business. Freehold Property. Genuine reason for sale. Write Box G10732, Financial Times, 10 Cannon St, London EC4P 4BY

**SUCCESSFUL MARKETING & DISTRIBUTION COMPANY FOR SALE**

Genuine reason, with excellent corporate image, active in the motor and bicycle parts and accessory trade, Midlands based in 7,000 sq ft warehouse, including stock, new sophisticated computer, new delivery trucks, well respected, good established customers.

Write Box G10737, Financial Times, 10 Cannon St, London EC4P 4BY

**GARAGE BUSINESS, ETC.**

15 years' experience in the motor and bicycle parts and accessory trade, Midlands based in 7,000 sq ft warehouse, including stock, new sophisticated computer, new delivery trucks, well respected, good established customers.

Write Box G10737, Financial Times, 10 Cannon St, London EC4P 4BY







# SECTION IV - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Tuesday May 7 1985

NEW YORK STOCK EXCHANGE 32-33  
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WORLD STOCK MARKETS 34  
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### WALL STREET

## Buoyant approach to funding

FINANCIAL markets on Wall Street sailed steadily into a week down with heavy Treasury funding auctions, buoyed by growing belief that the Federal Reserve will slacken its credit grip in the face of a slowing economy, writes Terry Byland in New York.

Some analysts predict that the Fed will cut its discount rate from 8 per cent to 7½ per cent soon. While yesterday's comments on the economy from U.S. purchasing executives were mixed, Friday's employment statistics supported the view that the U.S. economy is labouring.

By 2pm, the Dow Jones industrial average was up 2.32 at 1,249.56.

The bond market continued to show confidence as it awaited today's auction of \$8bn in three-year Treasury notes, which forms the first leg of the week's \$20.5bn refinancing programme.

Bond prices edged ahead, helped also by a dip in Federal funds to 7½ per cent. With funds at this level, the Fed announced \$2bn in customer repurchases, lending further credence to the belief that the Fed is easing policy. Short-term rates were a shade lower, in line with the funds rate.

The stock market remained in two minds - while lower interest rates would be good for the market, a slowing economy means further pressure on corporate profits. Institutional interest was low, with worries regarding the problems at E. F. Hutton casting a cloud; Hutton rejected suggestions that it may have to make further financial reserves after its broking subsidiary pleaded guilty last week to fraud charges. At \$31, Hutton stock shed ½.

The blue chips held steady but showed no inclination to recover any of the ground lost in the past fortnight. Media stocks sprang to life as Wall Street awaited confirmation of Mr Rupert Murdoch's \$1.5bn purchase of television stations from Metromedia.

While neither Mr Murdoch's companies nor Metromedia are currently quot-

ed in New York, the projected deal could have important implications for other media stocks.

An immediate response came from Tribune, which gained 1¼ to \$44½. If the Metromedia deal goes through, Mr Murdoch could be obliged to sell his New York and Chicago newspapers, which are prime competitors with the Tribune's publications.

CBS stock, still facing a bid from Mr Ted Turner, responded initially to hopes that a Murdoch deal might send Metromedia on the takeover trail. But the stock later settled unchanged at \$108½.

In an unrelated move, Warner Communications added ½ to \$29½ when a leading broker put the shares on its restricted list, fuelling hints that Mr Steve Ross, the Warner chief, wants to take the company private.

Motor stocks edged higher on the disclosure that sales remain strong. General Motors at \$68½ added ½, and Ford at \$41½ was ¼ higher.

IBM added ½ to \$125½ in modest turnover and other technology issues also had a calm day.

Mobil's disclosure that it is restructuring Montgomery Ward, its troubled retail store subsidiary, pushed the oil company stock ahead by ½ to \$33½. Other retail stocks, unsettled by Mobil's apparent coolness towards retailing, turned mixed. Sears shed ¼ to \$34, but J.C. Penney added ½ to \$48½.

Oil stocks continued to find buyers as investors looked for further rationalisation moves. With the board's stock repurchase plan gathering pace, two blocks of 1m-plus shares in Atlantic Richfield traded, leaving the price ¾ down at \$62½.

Standard Oil, controlled by BP, and considered a candidate for restructuring after the Arco fashion, gained ¾ to \$49½. Exxon added ½ to \$52½.

At \$50, American Cyanamid was \$2 down after a delayed start on rumours of delay in gaining approval for Novartis, its anti-cancer drug.

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### EUROPE

## Rising dollar paves way to peaks

THE RENEWED strength of the dollar prompted a further round of buying that took Frankfurt and Amsterdam to peak levels yesterday, although in both centres, the level of activity was restrained.

Foreign demand for West German stocks underpinned the advance in Frankfurt, which also continues to benefit from the recent series of strong corporate results. The Commerzbank index added 13.7 to a record 1,236.3, against the previous peak of 1,235.7 set on April 28.

In the electrical sector, Siemens picked up DM 7.50 to DM 542.50 in continued reaction to the sharp rise in post-tax profits for the first half of fiscal 1985.

Brown Boveri put on DM 2 to DM 209 as the chairman said prospects were good for another gain in profits this year.

Among the motor manufacturers, BMW rose DM 2.50 to DM 384.50 following Friday's announcement of an increased 1984 dividend.

Prospects of enhanced profits, as a result of the stronger dollar, also helped the other car makers. Daimler added DM 5.50 to DM 681, Volkswagen DM 2.70 to DM 211.60 and Porsche DM 19 to DM 1,222.

Among the banks, Dresdner gained DM 5.20 to DM 215.50 on some large buying orders. Deutsche Bank put on DM 2.80 to DM 467.30 and Commerzbank DM 1.20 to DM 170.70. Insurer Allianz was DM 26 higher at DM 1,215.

High technology stocks also performed strongly with PKI DM 5 ahead at DM 620 and Nixdorf DM 4.50 higher at DM 588.

Bonds were little changed in subdued trading. The Bundesbank sold DM 29m of paper after purchases totalling DM 35.8m on Friday.

In Amsterdam, the ANP-CBS General index rose 0.9 to a record 213.0 and the Industrial index was up 1.9 to a peak of 173.1. Among major companies, heavy demand was seen for Royal Dutch which advanced 10 cents to F1 210. KLM gained F1 1.30 to F1 60.30.

Among actively traded issues, Torstar put on C\$1¼ to C\$21¼. Bell Canada rose C\$¼ to C\$40, Sears Canada dipped C\$¼ to C\$38½ and TransCanada Pipelines was C\$¼ firmer at C\$28½.

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Builder Volker Stevin shed 40 cents to F1 32.10 ahead of its annual report, which came after the bourse had closed.

Mortgage banks were helped by upward pressure on interest rates with FGH 40 cents ahead at F1 57 and WUH 10 cents higher at F1 101.

Insurer Amey shed 50 cents to F1 241 as it said its tender offer for the remaining publicly held stock of its Australian finance affiliate had attracted enough shares to allow for a compulsory 100 per cent buyout.

Bond prices were mostly lower, reflecting profit taking by some professional investors.

Paris ended on a firm note after an active day's trading with buying interest spurred by a reduction of ¼ of a percentage point in the call money rate to 10½ per cent - its lowest level for almost six years.

Valco, the car components group, shed FFr 2.50 to FFr 244.50 as it finally managed to secure a financial package of more than FFr 600m to support its restructuring plans.

Brussels was little changed in light trading. Non-ferrous metal stock Vieille Montagne proved an exception, however, rising BFr 320 to BFr 6,370 in heavy volume.

Zurich was mixed to weaker though insurance issues continued to find favour.

Milan and Madrid tended firmer but Stockholm eased back, partly reflecting the disruption caused by the civil servants' strike which has closed down many key services.

### HONG KONG

STRONG institutional buying of a broad range of stocks in Hong Kong took the Hang Seng index up 45.63 to 1,596.43 - its highest level since September 1981.

There are widespread market expectations that the index will breach the 1,600 level later in the week on buying demand from London-based Hong Kong unit trusts.

Among the major issues, Swire Pacific put on HK\$1.10 to HK\$25.10.

### SINGAPORE

AN ABSENCE of buying interest left Singapore to resume its downward drift in thin trading. The Straits Times Industrial index shed 5.78 to 790.09.

Pan Electric, which had climbed nearly 9 per cent over the previous three sessions, fell back 10 cents to S\$2.50.

### COMMISSIONS

## Tokyo moves to curb criticisms

THE Tokyo stock exchange's recent action to lower brokerage commissions on transactions in excess of ¥50m is widely seen as a ploy to stave off institutional investors' demands for liberalisation and criticism of brokers' exorbitant profits, writes Shigeo Nishitoku of Jiji Press.

The new schedule of charges, as revised on April 15, divides large transactions into eight brackets, ranging from "¥50m or more" to "¥1bn or more," replacing the traditional fixed commission on trading in excess of ¥100m.

Tokyo and London markets were closed yesterday for public holidays.

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their accounting year, ending this September.

The four largest securities firms' recurring profits for the half-year period to last March eclipsed all previous six-month records, and matched or surpassed those of the high-ranking city banks. Nomura Securities chalked up ¥105.3bn, Daiwa Securities ¥87.8bn, Nikko Securities ¥81.9bn and Yamaichi Securities ¥49.3bn.

Rising criticism of such enormous profits hastened the securities houses' move to reduce the minimum unit for a single large transaction from ¥100m to ¥50m.

Officials of the securities firms are trying to contain the debate on liberalisation, stressing that the revision was by no means a step toward decontrol of commission rates.

Foreign securities firms in Japan welcomed the adjustment, saying it brings brokerage charges transactions into line with those in big exchanges abroad. Still, some admit that brokers would in no way stand to benefit from the decontrol of charges.

Many institutional investors view the action with scepticism and are determined to push for real liberalisation. The latest action seems likely to trigger calls for lower charges on smaller equity trading, possibly leading to another reduction in commissions and ultimately to liberalisation.

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

**Prices at 3pm, May 6**[illegible]

Continued on p. 122



**Continued on Page 34**

[illegible]

Rosenborgsgade 5A, 1130 København K

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**OVER-THE-COUNTER** *Nasdaq national market, 2:30pm prices*

OVER-THE-COUNTER

Nasdaq national market, 2:30pm prices

Stock						Stock						Stock								
Adm	Adm	Sales	High	Low	Last	Chg	Alcoa	Alcoa	Sales	High	Low	Last	Chg	Amalg	Amalg	Sales	High	Low	Last	Chg
Adm TI	Adm TI	(shs)					Alcoa	Alcoa	(shs)					Amalg	Amalg	(shs)				
Adm TI	Adm TI	5	5	5	5	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	82	45	45	45	+
AEL	AEL	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AEL	AEL	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2	2	2	+	Alcoa	Alcoa	1	17 1/2	17 1/2	17 1/2	+	Amalg	Amalg	72	45	45	45	+
AG	AG	2	2																	

**Continued on Page 35**

# FINANCIAL TIMES

**Monday-Friday in many major  
Scandinavian towns**



## Indices

NEW YORK-DOW JONES

	May 6	May 7	May 8	May 9	April 30	April 29	1995	Since Completion		
Industrials	1,248.58	1,247.24	1,242.27	1,242.05	1,258.08	1,259.72	1,258.20	144.86	1,258.20	41.22
Transport	588.50	589.48	577.95	577.88	573.74	578.58	825.38	953.83	825.38	12.32
Utilities	155.21	154.95	153.52	153.01	153.82	154.13	155.34	145.54	153.72	10.5
Trading vol	94.04	107.70	101.50	111.00	88.00	-	-	-	-	-
Int. Div. Yield %					Apr 28	Apr 19	Apr 12	Year Ago (Approx)		4.72
					4.78	4.82	4.82			4.72

STANDARD AND POORS

	May 6	May 7	May 8	May 9	April 29	1995	Since Completion			
Industrials	288.25	289.35	288.81	288.32	289.94	289.24	285.15	182.24	285.15	3.82
Composites	188.52	188.85	179.81	178.37	178.83	180.83	183.43	183.84	183.35	4.48
Int. Div. Yield %					May 1	Apr 24	Apr 17	Year Ago (Approx)		3.93
					3.93	3.84	3.85			3.93
Int. Div. Yield %					11.20	11.28	11.27			12.42
Long Bond Yield %					11.33	11.33	11.28			12.44

NYSE ALL COMMON

	May 6	May 7	May 8	May 9	1995	Since Completion			
104.65	104.71	103.82	103.25	106.15	94.68	Issues traded	1,989	1,989	1,989
				(25.4)	(4/1)	Falls	555	773	554
						Unchanged	482	488	480

NEW YORK ACTIVE STOCKS

Friday	Stocks	Closing	Change	Stocks	Closing	Change	Stocks	Closing	Change
Atlantic Rich	3,086,200	62 1/2	+ 1/2	Intermeth	828,400	- 1/2	Intermeth	828,400	- 1/2
N-H Gas	2,857,200	37 1/4	+ 1/4	Can Motors	825,100	8 1/2	Can Motors	825,100	8 1/2
Exxon	1,519,200	61 1/2	+ 1/2	AT&T	527,700	8 1/2	AT&T	527,700	8 1/2
E-H Hutton	1,047,900	31 1/4	+ 1/4	Phil Morris	889,500	8 1/2	Phil Morris	889,500	8 1/2
Fannie Mae	943,900	18 1/2	+ 1/2	Philadel	870,300	15 1/2	Philadel	870,300	15 1/2

TORONTO

	May 6	May 7	May 8	May 9	1995	Since Completion			
104.65	104.71	103.82	103.25	106.15	94.68	Issues traded	1,989	1,989	1,989
				(25.4)	(4/1)	Falls	555	773	554
						Unchanged	482	488	480

MONTREAL PAPER

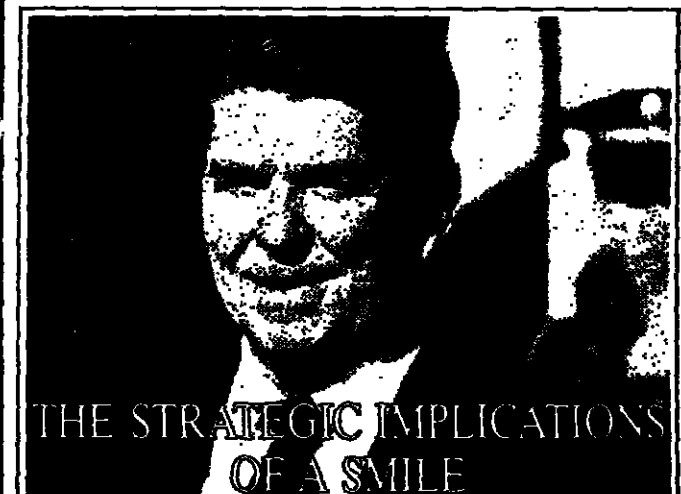
	May 6	May 7	May 8	May 9	1995	Since Completion			
104.65	104.71	103.82	103.25	106.15	94.68	Issues traded	1,989	1,989	1,989
				(25.4)	(4/1)	Falls	555	773	554
						Unchanged	482	488	480

Stock

Stock	Sales (Mkts)	High	Low	Last	Chg	Stock	Sales (Mkts)	High	Low	Last	Chg
Sunair	24	16	9 1/2	9	- 1/4	Veeva	32	9 1/2	9 1/2	10 1/2	+ 1/2
SunMed	1	117	51	51	- 1/4	Veeva	20	748	41	37 1/2	- 1/4
SunSL	7	4	3 1/2	3 1/2	- 1/4	Veeva	20	31	6	5 1/2	- 1/4
SunSL	16	30	18 1/2	18 1/2	- 1/4	Veeva	20	31	6	5 1/2	- 1/4
SunSL	13	91	81	81	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	13	91	81	81	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	10	81	81	81	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	5	104	104	104	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	112	112	112	112	+ 1 1/2	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	4	108	108	108	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	8	304	15	12 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	387	14	14 1/4	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	28	6	18 1/2	18 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/2	9 1/2	- 1/4	Veeva	20	228	25 1/2	25 1/2	- 1/4
SunSL	2	17	9 1/								

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrials—264.3, and Australia. All Ordinary and Metals—500, NYSE All Common—500, Standard and Poore—10; and Toronto Composite and Metals—1,000. Toronto indices based 1875 and Montreal Portfolio 4/7/83. † Excluding bonds. ‡ Industrials plus 40 Utilities, 40 Financials and 20 Transport. c Closed. d Unavailable.

Stock	Sales (Hds)	High	Low	Last	Chng	Stock	Sales (Hds)	High	Low	Last	Chng
Sumner	24	44	61	6	61	+4	VoiceG	25	32	13-1613-16	+4
Sundland	2	16	26	26	26	+4	VoiceH	25	32	13-1613-16	+4
SumSL	1	117	50	50	50	+4	VoiceI	25	32	13-1613-16	+4
SumSL	1	117	50	50	50	+4	VoiceJ	20	26	13-1613-16	+4
Sup	15	30	30	30	30	+4	VoiceK	220	220	241	+25
Supply	13	30	30	30	30	+4	VoiceL	1	241	241	+1
Supnet	13	30	30	30	30	+4	VoiceM	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceN	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceO	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceP	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceQ	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceR	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceS	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceT	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceU	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceV	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceW	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceX	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceZ	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceC	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceE	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceF	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceR	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceO	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceR	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceS	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceP	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceQ	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceZ	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceB	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceC	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceE	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceH	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceI	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceK	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceL	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceN	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceT	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceU	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceV	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceW	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceX	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceY	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceZ	220	220	241	+25
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Supnet	13	30	30	30	30	+4	VoiceB	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceC	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceD	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceE	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceF	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceG	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceH	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceI	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceJ	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceK	220	220	241	+25
Supnet	13	30	30	30	30	+4	VoiceL	220	220	241	+25
Supnet	13	30	30	30	30	+4					



Listening to President Reagan's words and seeing his smile, one had to wonder if the countdown had started. The expected move: was it imminent? The question was vital, for the timing was crucial—and the smile carried a message.

*Could that message be correctly read and help put market components into perspective?* Perhaps it was the confidence that the Federal Reserve's monetary management would not collide with the Administration's policy goals that was the key.

*Wasn't it then clear that the markets were set to gather momentum? Shouldn't the positions on the Stock index futures be doubled? And maybe profits taken on the long D-Mark puts?*

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## CURRENCIES; MONEY and CAPITAL MARKETS

## FINANCIAL FUTURES

## STERLING INDEX

	April 26	Previous
3.00 am	76.3	77.1
8.00 am	76.3	77.1
10.00 am	76.3	77.1
11.00 am	76.3	77.1
Noon	76.3	77.1
1.00 pm	76.3	77.1
2.00 pm	76.3	77.1
3.00 pm	76.3	77.1
4.00 pm	76.3	77.1

## £ IN NEW YORK

	May 5	Previous
2 Spot	1.0900-1.0910	1.0890-1.0900
1 Month	1.0890-1.0900	1.0880-1.0890
3 Month	1.0880-1.0890	1.0870-1.0880
6 Month	1.0870-1.0880	1.0860-1.0870
12 Month	1.0860-1.0870	1.0850-1.0860

## FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.0900	1.0890	1.0880	1.0870	1.0860
DM	2.3600	2.3500	2.3400	2.3300	2.3200
French Franc	11.75	11.72	11.69	11.66	11.63
Japanese Yen	308.5	307.5	306.5	305.5	304.5

## BANK OF ENGLAND TREASURY BILL TENDER

	May 2	April 26	May 5	April 26
Bills on offer	£100m	£100m	£100m	£100m
Total	£100m	£100m	£100m	£100m
Unsubscribed	£100m	£100m	£100m	£100m
Minimum	£100m	£100m	£100m	£100m
Allocation	£100m	£100m	£100m	£100m

## DOLLAR SPOT - FORWARD AGAINST DOLLAR

	Spot	1 month	3 month	6 month	12 month
U.S. Dollar	1.0900	1.0890	1.0880	1.0870	1.0860
U.K. Dollar	1.0900	1.0890	1.0880	1.0870	1.0860
U.S. Dollar	1.0900	1.0890	1.0880	1.0870	1.0860
U.K. Dollar	1.0900	1.0890	1.0880	1.0870	1.0860

## CURRENCY MOVEMENTS

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## CURRENCY RATES

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## EXCHANGE CROSS RATES

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## EURO-CURRENCY INTEREST RATES (Market closing rates)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## MONEY MARKETS

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## MONEY RATES

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## LONDON MONEY RATES

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## FT LONDON INTERBANK FIXING

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## MONEY RATES

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## TREASURY BILLS

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## TREASURY BONDS

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## TREASURY BONDS

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## FOREIGN EXCHANGES

## LONDON

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## CHICAGO

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## U.S. TREASURY BONDS (CONT)

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## NEW YORK

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## COFFEE

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## SILVER

	May 5	May 2	April 26
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880
U.S. Dollar	1.0900	1.0890	1.0880
U.K. Dollar	1.0900	1.0890	1.0880

## GOLD

	Close	
May	61.60	6
June	61.90	6
July	62.40	6
Sept	63.05	6
Dec	63.55	6
Jan	63.76	6
March	64.15	6
May	64.50	6
July	64.85	6